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ABSTRACT

This manual provides information to help charter schools navigate the facility development process, including worksheets that can be customized to suit a particular school's needs. Sections cover how facility planning fits into business planning for charter schools, review a process for assessing a school's facility needs, and summarize how to select a site and compare those found. Additionally, the manual includes an overview of construction and budgeting issues for a facility project, reviews sources of financing a project, provides a project timeline, and offers a glossary of terms to clarify technical issues in the facility development process. Appendices contain model forms for developing operating and capital budgets, balance sheets, cash flow projections, and a sample application for a National Cooperative Bank (NCB) Development Corporation charter school loan. (GR)

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CHARTER SCHOOL FACILITIES

A Resource Guide on Development and Financing

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CHARTER SCHOOL FACILITIES

A Resource Guide on Development and Financing

Of all the challenges facing charter schools, perhaps none is more daunting than finding a suitable home. In many parts of the country, affordable space is hard to come by. Renovations can be costly and complex to manage. Planning, zoning, and building code regulations can be Byzantine and inflexible. Securing adequate financing can be difficult and confusing.

NCB Development Corporation (NCBDC) and the Charter Friends National Network (CFNN) designed this resource guide to help charter school operators overcome these challenges. It starts from the premise that finding and financing a facility should occur after a sound business strategy that meets the school's goals has been developed -- and not before.

With this sequence in mind, the resource guide walks charter school operators through all of the major steps of facility development – constructing a business plan, assessing your facilities needs, selecting a site, managing construction and renovation and securing financing. It offers practical advice, much of it from charter school operators around the country who have tackled these challenges already. It points readers in the direction of other resources, many of them available via the Internet.

The organizations that developed this guide are both leaders in addressing the facilities issue for charter schools. NCB Development Corporation is one of the nation's leading providers of financing and technical assistance to charter schools. The Charter Friends National Network connects and supports state-level charter school organizations.

In addition to publishing this resource guide, both organizations are committed to putting their efforts to work in the field. They are focused on future collaborative efforts, including:

1) conducting workshops at charter school conferences around the country;

2) providing training for organizations that assist charter schools with issues of finance and development;

3) developing subsequent resources requested by charter school operators; and

4) partnering with state and national charter school organizations to craft public policy that supports charter school development.

Though the challenge of developing and financing a top-notch facility looms large for most charter schools, school leaders across the country have met the challenge with extraordinary commitment and unusual creativity. The sponsoring organizations and authors trust that this resource guide will provide charter school developers and operators with a foundation of knowledge upon which they can build yet another charter school success story.

ABOUT THE SPONSORING ORGANIZATIONS

NCB Development Corporation is a non-profit organization whose primary mission is to promote community development in distressed areas by providing financial and development services for projects that serve low income communities. NCBDC acts as a catalyst for the start-up, operation and expansion of all types of community-based enterprises. Its primary focus is on education, housing, healthcare, childcare, worker ownership, and small business development.

Over the past several years, NCBDC has become a nationally recognized facilities lender for charter schools. In addition to being a lender, NCBDC is a technical assistance provider, primarily for real estate development. NCBDC's work to date in the charter school industry includes:

- Providing direct lending for facilities projects, working capital and equipment in six states and the District of Columbia.
- Conducting panel discussions at charter school conferences on facilities financing: U.S. Department of Education's National Charter School Conference, EdVentures, and numerous state conferences.
- Leading training sessions on real estate development for charter schools at state conferences in Colorado and Pennsylvania.
- Producing a technical assistance article, in collaboration with the National Community Capital Association, directed at community development financial institutions on lending to charter schools. (See bibliography for reference.)

For more information on the organization, visit NCBDC's web site *www.ncbdc.org*, e-mail questions to charterschools@ncbdc.org, or contact:

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The Charter Friends National Network (CFNN) is a project of the Minnesota-based Center for Policy Studies in cooperation with Hamline University. Founded in early 1997, CFNN's mission is to connect and support state-level charter school organizations – mainly non-profit resource centers and associations of charter school operators.

To date, CFNN's work on facilities financing has focused on two areas:

- The need to consider facilities financing for charters as a state-level public policy issue, with the opportunity to develop new models for publicly funding facilities that have long range implications for overall facilities finance policy in district schools.
- The potential for considering facilities financing for charters in the context of larger community and economic development objectives.

During 1999, CFNN produced two major products focusing on these needs and opportunities:

1. "Paying for the Charter Schoolhouse" – a policy report on major state and private sector facilities financing initiatives around the country; and
2. "Out of the Box" – a resource guide for charter school developers and operators that includes about 20 case studies documenting how individual charters have addressed their facilities and facilities financing needs.

Both of these publications – with dozens of links to other Internet resources – are included in the facilities financing section on the CFNN Web site – *www.charterfriends.org*

With this strong base of activities and products, CFNN is considered a leading resource on both school-level and policy-oriented information and expertise on facilities financing. CFNN's lead consultant in this area, Bryan Hassel, has advised policy makers and staff in a number of states, and is considered the nation's leading expert on the role of state policy in meeting the facilities financing needs of charters.

For more information on CFNN visit the web site *www.charterfriends.org* or contact:

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Renée Jacob, an NCBDC intern from the Yale School of Management, conducted initial research for the guide and devised the basic outline of its contents.

Finally, thank you to Bryan Hassel and Jon Schroeder of CFNN and Robin Halsband, Kerinne Tollefsen, David Nolan, Linda Sorden, Annie Donovan, and Janet Riessman of NCBDC for their contributions.

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SECTION I
INTRODUCTION

Finding and preparing a charter school facility can be one of the most daunting aspects of starting a charter school. It is often a frustrating and time-consuming process. Many charter schools feel they lack the in-house expertise to make smart facility choices.

The purpose of this manual is to help charter schools navigate the facility development process. Hopefully the information and suggestions offered here will provide charter school operators with some of the expertise they lack. The goal is to make the facility development process smoother and to eliminate some of the surprises many operators have faced along the way.

We hope this manual will be useful to charter schools just starting, as well as those that are going through the facility development process for a second or third time. Even the most experienced real estate developers learn something new each time they work on a project. We hope this manual can assist every stage of charter school facility development by laying out a framework for the process.

The worksheets at the end of each section can be customized to suit a particular school's needs. While this manual tries to point out general issues and proven strategies, charter school operators will need to adapt the concepts to their situations. This manual will try to point you in the right direction.

This manual includes the following sections:

SECTION II	Covers how facility planning fits into **business planning** for charter schools
SECTION III	Reviews a process for assessing your school's **facility needs**
SECTION IV	Summarizes how to **select a site** and comparing those you find
SECTION V	Includes an overview of **construction and budgeting** issues for your facility project
SECTION VI	Reviews sources of **financing** for your project
SECTION VII	Provides a **timeline**, which can be adapted for your project
SECTION VIII	Offers a **glossary** of terms to clarify technical issues in the facility development process

SECTION II FACILITY DEVELOPMENT AND THE BUSINESS PLAN

In many ways, charter school operators are entrepreneurs. Entrepreneurs starting a new business venture prepare a written plan to communicate their vision and to create a roadmap for realizing that vision. A business plan helps evaluate opportunities, set goals and standards, and implement ideas.

Charter school operators have a vision for the organization they wish to start and for the results they wish to obtain. They need to mesh this vision with the everyday mechanics of running a school – i.e., getting funding, operating a facility, supervising staff, and, of course, educating students.

A business plan is a key tool in which every operator should invest. The business plan communicates the school's objectives to the board, staff, funders, outside consultants and anyone else who may need to understand what the school is about. The business plan enables school operators to work out problems on paper that could be costly to fix in real life. It describes the school's strategy and how the school intends to achieve its goals. It sets standards for quality and performance and provides a useful benchmark for measuring the school's progress against its stated goals and objectives. When a school's operating environment changes, the business plan will also enable charter school operators to revisit and possibly redefine their objectives.

WHO SHOULD BE INVOLVED?

The business plan should be prepared by those who will be charged with its execution. The principal or board president should be heavily involved. Input should be gathered from as many stakeholders as possible, including parents, staff, chartering authorities, and potential investors.

BUSINESS PLAN – CHARTER APPLICATION

Unless your chartering authority specifically requires a business plan as part of your charter school application, your application is not the equivalent of a business plan. While parts of the charter application can be used in the business plan, the business plan itself should be a separate document. This is particularly important since some elements of your school may have changed since you first received your charter. The business plan should focus on all aspects of your program outside of curriculum. The business plan is a tool for you to plan out the nuts and bolts of operating your school. Use your plan to go beyond your charter application and work out the nitty-gritty details of running a school.

WHAT IF I ALREADY HAVE A BUSINESS PLAN?

Great! You're one step ahead. If you are pleased with your business plan, go on to Section III, Needs Assessment, on page 11 of this guide. If you are uncertain about some aspects of your business plan, or if a great deal of time has passed since your business plan was prepared, you might want to review this section anyway. Remember, business plans should be living documents that are updated on a regular basis as conditions change.

HOW FACILITIES PLANNING FITS IN

Facilities planning is an integral part of the business plan. All the aspects of the school – the number of students, number of staff, level of funding available, expected growth, etc. – will determine the type of facility needed. In return, the physical space of the school will affect the education and services provided – depending on the comfort level, space, accessibility and costs involved. The business plan can help guide the selection of the best available facility, and help the school anticipate the ramifications its physical space will have on its operation.

KEY COMPONENTS

A business plan need not be overly complex or long. As mentioned, parts of the charter application may be adapted for the business plan.

The following is a suggested outline for a charter school business plan. Operators will want to modify it for their specific needs. Each section will be discussed below.

1. EXECUTIVE SUMMARY
2. THE SCHOOL
   - a. **Mission Statement**
   - b. **Instructional Focus and Goals**
   - c. **Governance**
3. MARKET ANALYSIS
4. MANAGEMENT PLAN
5. OPERATIONS PLAN
   - a. **Logistics**
   - b. **Administration**
   - c. **Physical Plant**
   - d. **Security**
6. FACILITY PLAN
   - a. **Needs Assessment**
   - b. **Short-Term Facility Plan**
   - c. **Long-Term Facility Plan**
   - d. **Site Description(s)**
   - e. **Contingency Plan**
7. FINANCIAL PLAN
   - a. **Operating Budget**
   - b. **Balance Sheet**
   - c. **Capital Budget**
   - d. **Cash Flow Proforma**
8. SUPPORTING DOCUMENTS

1. EXECUTIVE SUMMARY

A one to two page summary of the business plan should be included to give readers a quick overview of the school's business plan. It may be helpful to prepare this section after completing the rest of the plan.

Example of Mission Statement:
...to provide an engaging educational environment, which surrounds the child in a community of learners, who acknowledge and believe in the unique, yet dynamic nature of the human spirit and strive to foster and nurture the individual through meaningful and challenging opportunities in art, research, communication and science while collectively experiencing a Renaissance of the Mind.

2. THE SCHOOL

This section should briefly describe the school, educational program and legal status.

a. Mission Statement

This describes the school and what makes it distinct from other schools (i.e., its competitive advantage).

b. Instructional Focus and Goals

If the school is using a special curriculum or theme for its educational program, it should be explained here. For instance, some schools emphasize a "back-to-basics" curriculum, or extended school days or school year. This section should include the goals of the school and how it intends to achieve them.

c. Governance

Summarize how the school will be overseen: by the founding Board, Board of Directors (if different from the founding Board) and any other advisory boards. Who has the authority to make decisions for the school and to commit the organization to different courses of action? Who can authorize the school to enter into contracts, to take on debt, to hire and fire staff? This section will refer to the school's Articles of Incorporation and By-Laws, which should be attached to the business plan.

If the school will be administered by a school management company, detail the roles and responsibilities of the various parties in this section.

A market analysis might include:
- Description of target students
- Census of target students in target area
- Description of marketing methods to be used, such as
  - community meetings
  - brochures
  - posters
  - ads on radio/TV and in print
  - mailings
  - press coverage
- Description of competition (e.g., traditional public schools, private schools, and other charter schools)
- If possible include the number of inquiries and letters of intent received as well as the number of applications sent

3. MARKET ANALYSIS

The primary reason for the formation of a charter school is to better serve the needs of public school students and their families. In order to receive a charter, operators have to analyze the market for students and develop an educational program that is unique in some way. This is precisely what entrepreneurs do when starting a business.

Charter school operators should include in their business plan an explanation of why their program will attract students from other schools. How many students are currently in the area? Will the school target a specific part of this population? What percentage of the students does the charter school need to attract to make the school feasible? Why does the charter school think those students will come to its school? What needs will the school meet?

This section should include any marketing plans for reaching out to potential students and parents. These might include community meetings, radio/TV appearances or commercials, or flyers distributed in a neighborhood. If there is already a waiting list for the school, then this section should discuss how students will be selected (e.g., lottery).

The market analysis should also review the competition. What are the other traditional public, charter and private schools in its jurisdiction? Understanding these issues will help the school plan its recruitment and retention strategy for students.

Management Plan should include:
- Organizational chart
- Job descriptions
- Resumes
- Recruiting plan
- Details on subcontractors or educational management organizations
- Financial management policies
- Staff evaluation policies

4. MANAGEMENT PLAN

This section should lay out the reporting structure of the school, the process used in the selection of staff and the standards to be used in reviewing performance. An organizational chart should be included showing the lines of authority for the staff and board.

A management plan will summarize how the school will be managed day-to-day. What are the responsibilities of the principal, the key administrators and staff? If there is a business manager, what are his/her responsibilities? If parents are to play an important role in the management of the school, describe how they will be involved.

If the principal and other key staff are already on board, describe their qualifications. It is helpful to keep copies of resumes as attachments to the back of the business plan.

If the principal or other key staff have not yet been hired, the business plan should include the plan for recruiting these administrators, job descriptions and an estimated timeline for interviewing and negotiation periods. If a search firm will be used, those arrangements should be summarized.

If the school has contracted or plans to contract out major components of school management, this section should explain those contracts and the qualifications of the contractors (also in the Governance section).

This section should also include a discussion of financial management issues. Who will oversee this area? What policies will be followed? Who will record entries in a general ledger? How will invoices be tracked and bills paid? Who will oversee petty cash? What checks and balances will be in place to prevent fraud and other forms of mismanagement that can lead to charter revocation?

The business plan should also outline policies around staff performance standards and reviews. There should be a system for evaluating individuals, giving feedback and justifying salary increases or terminations. Staff training opportunities should be described especially as they pertain to improving accountability goals and standards.

If your state requires the school to have a certain percentage of certified teachers, you need to outline your plan for attracting these individuals. Since retention of qualified teachers is critical to a charter school's success, you need to describe the benefits and other incentives you will set in place to mitigate the effects of rapid turnover.

5. OPERATIONS PLAN

Day-to-day operations of the school should be detailed in this section. Depending on the school, this could include many different items. At a minimum, the business plan should cover:

a. Logistics

What is the basic school schedule? When will students arrive? What will be the flow of traffic during the transition between classes (i.e., will students rotate or will teachers)? How, where and when will lunch, gym and library activities be held? When will classes be dismissed? Will there be after-school activities? What holidays will be observed? How will students travel to and from school? Is your school responsible for transporting students? What are alternative options if the most desirable plan does not work?

b. Administration

Who will be responsible for answering phone inquiries, receiving visitors, tracking attendance and filing necessary reports to regulating authorities?

c. Physical Plant

What is the plan for managing the facility? (If a facility has not been selected, then plan for this in a general way until your facility has been secured.) Who will perform repairs and maintenance? Who will install furniture and equipment? Who will provide janitorial services?

Section V will discuss how to manage construction and/or renovation to your facility. However, you should include in your business plan a summary of who will oversee this work.

d. Security

How will safety and security issues be addressed? Who will be responsible for these issues?

e. Technology

Will the administration and management of computers, phones, fax machines, Internet connections etc. be managed by a single individual? Will they be contracted out to a company? Include how these issues will be handled and where the responsibility lies for resolution of problems.

The Importance of Planning

The importance of short- and long-term facility planning cannot be overemphasized. Many operators rush to open facilities, often creating significant financial and management burdens in the process. You don't have to open your school in a state-of-the-art facility on Day 1! Consider the full range of options available. Many schools have found that occupying a less-than-optimal (i.e., cheaper) facility for the first year allows the school's operations to stabilize and the school's financial assets to accrue – allowing the school to develop a better facility at a later time.

6. FACILITY PLAN

This is a "chicken-and-egg" dilemma for some operators. If no facility is identified when the business plan is being prepared, it can be difficult to complete this section. On the other hand, the business plan can be used to help the operator think through the facility needs of the school. Nonetheless, it is important to include as much information as possible about your "envisioned" or "actual" facility plan. At a later date, the business plan can be updated to include facility plans once a site has been selected.

a. Needs Assessment

Operators should include the results of a needs assessment in their business plan, even if a site has not been selected. Section III lays out the components to analyze, including square footage, classroom and other space, outdoor/parking areas, geographic focus, proximity to other institutions, etc.

Whether or not a site has been selected, the school should detail short- and long-term facility needs in the business plan. This will serve as an important reference when reviewing facility needs at a later date.

b. Short-Term Facility Plan

Although schools will ideally open in a permanent location, it is important to anticipate short-term solutions to facility needs. This can provide a contingency plan if a permanent space is delayed, or buy the school some time before making a commitment to a permanent space. Short-term needs may be addressed for the first few weeks or months of school, or for as long as the first few years.

c. Long-Term Facility Plan

Operators should work out their long-term vision for the school and what types of facilities will be needed to meet them. Long-term facility plans should incorporate projected expansions in enrollment or programs. They should also include the financial impact of a facility, a plan for disposing of the facility if it becomes obsolete or if the school loses its charter, and ongoing maintenance or property management issues.

d. Site(s) Description

Once a site, or sites (if the short-term site differs from the long-term site), has been chosen, the business plan should be revised to reflect the specifics of the facility.

The site description section should detail the size, location and condition of the facility. A budget enumerating the costs involved in acquiring the facility and renovating it should be included. If additional funds are needed to secure the site, lenders or charitable funders will want to see a business plan and this section in particular. A timeline should also be included, estimating how long it will take to gain control of the facility and prepare it for classes.

e. Contingency Plans

The business plan must contain alternatives in case a proposed site becomes unavailable. Unfortunately, the most common facility problem for charter schools is the unpredictability of the real estate market. Too many charter schools have been plagued by facilities becoming unavailable at the last minute. If you prepare a business plan for only one reason, it should be to have a contingency plan in place for this dilemma.

7. FINANCIAL PLAN

This section should include information on the financial health of the organization and projections about future performance. (See Section VI for further discussion.) The following should be prepared by the business manager or accountant:

a. Operating Budget

This spreadsheet should show the annual revenues and expenses of the school, and any resulting surplus or deficit. It must be approved by the Board. If estimates are used for any items, the assumptions used should be clearly noted. Projections of the budget for future years may be included, as well as a month-by-month breakdown of the current year budget. **A model operating budget is included in Appendix A.**

Once a school is operational, the finance staff should prepare a regular statement of activities, or income statement, that shows the revenues received and expenses incurred in a particular period. Schools may be required to produce these statements monthly or quarterly. They provide one of the most important sources of information on the financial condition of the organization. If your school is operational, you should include the most recent copies of this statement in your business plan.

b. Balance Sheet

Once a school is operational, the finance staff should also prepare a state of financial position, or balance sheet. This is a snapshot of the organization's assets and liabilities at a specific point in time. This is also a very useful tool for understanding the financial condition of a school and should be included in the business plan if available. **A model balance sheet is provided in Appendix B.**

c. Capital Budget

This budget is for the one-time costs of acquiring and/or renovating the facility to be used. This budget should be separate from the operating budget. See Section VI for more detail on preparing a capital budget. **A model capital budget is included in Appendix C.**

d. Cash Flow Proforma

This spreadsheet should show the receipts and disbursements of cash for the organization. It usually covers the organization's fiscal year and is broken down by months. This report is important because the timing of funds received may or may not coincide with the time the funds are needed. Therefore, a charter school may have an operating surplus (revenues exceed expenses) but a cash flow deficit (cash inflows may be smaller than cash outflows, perhaps due to the timing of the receipt of the per student allotment). This is an important management tool for operators, as well as something your auditor, lender or funder will need to understand. **A model cash flow proforma is included in Appendix D.**

8. SUPPORTING DOCUMENTS

The business plan should include an appendix with relevant documents.

They might include:

- Copy of the charter contract or application
- Articles of Incorporation
- Corporate By-Laws
- Curriculum summary
- Class schedule
- Board of Directors list (include professional affiliations; indicate members who are parents of students)
- Resumes of key staff
- Other financial information

WHERE TO GO FOR ADDITIONAL INFORMATION

- Business Planning in Four Steps and a Leap, Northern Initiatives Corporation, Marquette, Michigan (906-228-5571). ISBN 0-9646706-0-7
- U.S. Small Business Administration's online resources at *www.sbaonline.sba.gov/starting/busplan.txt*
- The Charter Friends National Network's website at *www.charterfriends.org/* and its section on business planning at *www.csus.edu/ier/charter/bizpl.html.*

SECTION III
NEEDS ASSESSMENT

The first step in developing a charter school facility is determining your organization's needs. Operators should analyze all aspects of their program to come up with a list of desired features. This should be viewed as a preliminary estimate of the school's facility needs and should not become a laundry list of "must have's." Charter schools throughout the country have been surprisingly creative in the facilities they find to meet their needs. This requires understanding your program's needs, but with an open mind.

START EARLY

This process should begin with the charter application. It takes many operators at least six months to one year to find an appropriate site and prepare it for a school opening.

GET INPUT

Start talking to other charter school operators, staff members, the board of directors and others about important features of the school facility. Solicit information from real estate agents, architects, non-profit real estate developers, local builders, the school district and anyone else who might be knowledgeable. If possible, hire an experienced project manager or owner's representative to assist with the analysis of the school's needs and to later help with the site selection.

DETERMINE PROGRAM NEEDS

Review your school's plan of operation to identify its needs. Usually the primary need is to find the right amount of space. An estimate of the facility size, measured by square feet, is the main piece of information needed. There are many ways to calculate the square footage needed, none of which is precise. Operators will want to figure out a minimum and maximum range of space needed to allow for later flexibility when selecting a site.

The needs assessment worksheet at the end of this section can help you analyze your school's needs.

Gross Square Footage

Can be calculated in a variety of ways.

1. Multiply the number of students by 60 to 120 square feet; or,
2. Add up the number of classrooms needed and multiply by 750 to 1,000 square feet per classroom (assuming a class of 25). To this number add an estimate of office, storage and other non-academic space (most schools use 40-55 percent of the square footage for non-academic uses).[1]

   Note: These are rough guidelines. Your jurisdiction may require a certain square footage per student. Requirements may also vary depending on the grade level.

Besides gross square footage, it is also important to think about the types of accommodations that will be needed in the facility. Consider the following:

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[1]Charter School Facility Financing: Constraints and Options A Study for the Massachusetts Charter School Resource Center, J. Dolan, D. Murray and G. Walsh, Pioneer Institute for Public Policy Research, February 1998. (www.pioneerinstitute.org/csrc/cshb/)

Bathrooms

Consider lavatory needs for students and staff. Estimates of the square footage should be included in the calculation of gross square footage above. Consult Americans with Disabilities (ADA) regulations as well as local codes, but at a minimum plan on at least one bathroom for every 30 students, and one bathroom for every eight to ten staff members.

Non-academic space

Consider the school's needs in terms of a gym, cafeteria, library (could be combined in a multi-use room). Estimates of the square footage should be included in the calculation of gross square footage above.

Expansion plans

Incorporate planned growth in enrollment into space needs.

Playground

Estimate what type of outdoor play areas are needed. Leave open the option of using nearby parks, etc., if available.

Parking

Consider how many parking spaces will be needed for staff, students and visitors. This will vary depending on access to public transportation, but a rough guideline for an elementary school would be one space per staff member, plus one for every 50 students (for visitors). Also check ADA guidelines for the required number of handicap spaces.

CLARIFY OTHER FACILITY NEEDS

There are other issues, some of which are intangible, that are also important considerations when identifying facility needs. This list is not exhaustive nor applicable to every situation.

Geographic focus

Identify preferred areas to locate, if serving a specific neighborhood.

Accessibility

Determine accessibility for school buses, public transportation, and parental drop-off. This is particularly important for elementary schools.

Proximity to related entities

Seek locations near related entities, if your school is affiliated with other educational or cultural institutions.

Curriculum-specific needs

Consider special needs related to the school's theme or mission. For example, drafting areas would be needed for an architecture and design school. Labs would be required for a science school.

Technology needs

Weigh the need for a computer lab and for wiring the school properly for technology.

Sample Needs Assessment

The St. Paul Community Learning Center in St. Paul, MN, determined its space needs. The school serves 150 students, grades K-6:

	Sq. Ft.
Reception	300
Work room	300
Parent resource room	200
2 Conference rooms	350
Director's office	150
Commons, lunch, assembly	2,500
Instructional space	5,000
Computer lab	800
Kitchen	200
Bathrooms	1,000
Storage (4 at 100 each)	400
Custodian and storage	100
Health	150
Media/drama room	1,200
Teacher's work room	200
Additional storage	400
Circulation/hallways	900
Total:	14,150

For more information contact Wayne Jennings, Designs for Learning at 612-649-5400.

IDENTIFY CONSTRAINTS

Operators need to make a frank assessment of constraints on the facility development process. It is better to be conservative in estimates of time and money. It is also preferable to investigate all constraints at the beginning of the process, rather than be surprised at the last minute and risk not being able to open school.

Time

Find out the deadlines for opening the school, as well as milestones you must reach (such as obtaining a certificate of occupancy) in the interim. Work backwards estimating how long it will take to open the school. This might include (working backwards) orienting teachers, decorating classrooms, receiving furniture and equipment, finishing cosmetic repairs, completing major construction projects, if necessary, obtaining building permits, obtaining zoning variances, preparing architectural drawings, getting site control, securing financing, and locating an appropriate site. Leave ample time for each step. A project manager can help you estimate how long design and construction work will take.

Money

Take an inventory of funds available for the facility. If you are eligible for start-up funds, are there restrictions on their use? How much can be comfortably set aside for facility expenses without impairing cash flow for school operations? Carefully review your budget with your accountant or business manager and determine how much is available for facility expenses. A comfortable range for charter schools facility expenses is 10-25 percent of the annual operating budget (rent or mortgage payments plus utilities). This can vary depending on real estate in the area, but schools who spend more than 25 percent often must sacrifice many elements of a quality educational program.

Explore other sources of funds. Talk to foundations, local politicians and lenders. It is critical to know what sources of funds are available before entering the site selection phase. There may be more or fewer resources available than you expect. (See Section VI on Financing).

Rules and Regulations

Find out the compliance issues for your local jurisdiction regarding building codes and zoning restrictions. All schools must comply with the Americans with Disabilities Act (ADA). Helpful resources include other charter school operators, your project manager, architects or non-profit real estate developers.

Often building code and zoning rules can be interpreted many different ways by local officials. Understand that you may get different answers to questions about codes and zoning. Many times the final answer will not be available until you go through an inspection or zoning hearing. However, it is important to be aware of the types of concerns that may arise. For instance, if building codes require outside air in every classroom, this may impact the selection of a facility with classrooms that have no windows. The operator would need to understand the costs involved in remedying this situation, such as installing air vents.

GET PROFESSIONAL ASSISTANCE

The facility development process involves a great deal of technical expertise. Unless the charter school staff has that expertise already, it can be beneficial to contract with knowledgeable professionals to guide you

through the process. Operators may be tempted to use volunteers or professionals willing to give their time for free. This can be an excellent way to obtain these services, though organizations should be aware of the risks involved – such as lack of commitment or time availability. Operators may consider retaining the services of:

Project Manager/Owner's Representative/Site Consultant

This professional can go by many names and can have a variety of technical backgrounds (architect, builder, inspector, real estate professional). This person should be someone who can assist the charter school through the entire facility development process, from needs assessment to completing necessary renovations and opening the school. He should have an understanding of the real estate market and construction trades. She should be able to assist the school with negotiation of leases or purchase agreements, selection of architect and general contractor, and monitoring of any work to be completed. In some cases a project manager may be useful to oversee responsibilities not covered in the architect's contract. The best way to find a project manager is to speak with other charter school operators, non-profit real estate developers and architects.

Most important is to find a trustworthy person who will not gain any other benefit from working on the project (such as selecting themselves as general contractor or architect) and can represent your organization's interest at all times. A project manager will charge either an hourly or flat fee for his/her services.

Architect

Some organizations hire an architect during the needs assessment phase of their facility project. Later the architect will prepare drawings and specifications for the selected facility to be built or renovated. Make sure to clarify with the architect what duties he/she will assume and for which duties he/she will not be responsible.

A Creative Solution

The New Century Charter School in Carrboro, NC, found several creative solutions to its facility needs. Plagued by great locations that kept falling through, New Century opened its doors in 1998 in a local movie theater. The school would set up and tear down its materials every day. They used the projection screen for overheads and created special lap boards for students to use as desks. When the arrangement with the theater ended the school moved to a nightclub space at a local motel. Although not optimal, these temporary spaces gave New Century time to negotiate permanent space in a former schoolhouse which was converted by another entity into a community facility.

For more information contact Holly Snyder at 919-942-4772 or newcentury1@juno.com.

CREATIVE SOLUTIONS

The needs assessment must be both general and specific at the same time. At this point, operators should be thinking through what their facility needs are, yet remain open to a variety of possible ways to meet those needs.

It is particularly important to recognize that all facility needs don't have to be met on opening day of school. Creative operators have separated their facility needs into short-term and long-term categories, sometimes arranging for temporary facilities for weeks, months or even years, while more permanent arrangements are made.

Today it is rare for charter school operators to find a traditional school facility ready for their use. Many operators have adapted facilities not normally thought of as appropriate for schools, such as office space, warehouses, stores or retail space and even residential properties. Leasing portions of another organization's space or using modular units (trailers) are also common solutions. Operators who think about their needs flexibly will be better prepared for the site selection process.

WHERE TO GO FOR ADDITIONAL INFORMATION

Contact the local chapter of the American Institute of Architects (AIA) for a listing of area architects or check *www.aiaonline.com/*.

The School Design Primer, The Little Institute for School Facilities Research, 1996. Contact The Little Institute for School Facilities Research, 5815 Westpark Drive, Charlotte, NC 28217.

Guide for Planning Educational Facilities, The Council of Educational Facility Planners International, 1991. Contact CEFPI at 8687 E. Via de Ventura, Suite 311, Scottsdale, AZ 85258-3347.

NEEDS ASSESSMENT WORKSHEET

PHYSICAL SPACE NEEDS		Minimum		Maximum
Interior Space Needs				
❶ **Estimate gross square footage needed using either Formula A or Formula B**				
Formula A: number of students x square feet per student (60-120 sq. ft. per student)				
x	=		to	or
Formula B: number of classrooms x square feet per class (750-1000 sq. ft. per class)				
x	=		to	
❷ **Calculate additional interior space for the following:** (choose spaces applicable to your program, rough square footage estimates given):				
Offices (70-100 sq. ft per office)			to	
Gym (5 sq. ft per student)			to	
Cafeteria (4-8 sq. ft per student)			to	
Library (3-4 sq. ft per student)			to	
Special needs facilities (750-1000 sq. ft per classroom)			to	
Science labs (750-1000 sq. ft per classroom)			to	
Computer labs (750-1000 sq. ft per classroom)			to	
Bathrooms **Storage/mechanical space** **Hallways/circulation**			usually 20-30% of building square footage to	
❸ **Sub-total of Interior Space Needs** (1A or 1B + 2)	=		to	
❹ **Calculate additional exterior space for the following:**				
Parking spaces			to	
Outdoor/play space			to	
❺ **Sub-total of Exterior Space Needs**	=		to	
❻ **TOTAL ESTIMATED SQUARE FOOTAGE** (3 + 5)	=		to	
FINANCIAL CONSTRAINTS				
Funds readily available for up-front costs (downpayment or deposits, usually from grants or start-up funds)			to	
Funds available for ongoing monthly costs (lease payments or mortgage payments, utilities, maintenance) (a good range is 10-25% of your monthly budget)			to	

FACILITY NEEDS

- What neighborhoods are to be served by the school?

- Is it important to be accessible to existing school bus routes or public transportation? Accessible for parental drop-off/pick-up?

- Is it important to be accessible to other institutions? Which ones?

- Are there specific technologies to be accommodated?

SECTION IV
SITE SELECTION

Once the needs assessment has been completed, the site evaluation and selection process can begin. Operators should be prepared to commit adequate time to this process, which can be long and tedious.

ASSEMBLE A SITE SELECTION TEAM

Try to designate at least two people to the site selection process. In addition to a charter school staff member, the project manager or architect (if hired), a board member or anyone else with some real estate, construction or finance background will be helpful.

A real estate agent may also be a member of the team. It is advisable for schools to find someone who will serve as a "buyer's agent." This means he/she will represent the school's interest at all times and not just show properties he/she is personally listing.

Using a team approach will help evaluate potential sites because each team member will have a different perspective. Ideally every team member should visit each potential site. This will enable the group to make fully-informed comparisons.

SYSTEMATICALLY EVALUATE SITES

Adapt the Site Selection Worksheet on p. 25 to your particular needs. Have each team member evaluate each site using these criteria.

Finding A Low Cost Site

New Visions School in Minneapolis, MN selected the site of a former sheet metal plant for its school. The grade one through eight charter school renovated the 40,000 square foot site, adding 12,000 square feet to accommodate the school's needs. New Visions was able to complete the project for $4.6 million, or $90 per square foot (including the costs to acquire the site, renovate the building, and build the addition), a bargain compared to the $125-$150 per square foot spent by local districts to build new schools.

For more information contact Bob DeBoer at 612-706-5512 or bdeboer@mail.actg.org.

GIVE IT TIME

The benefit to starting the process early is that the selection of a school site may take several months before an appropriate space becomes available. Seeing many different properties, and many different types of properties will help the team understand what kind of space is available at what price. It is recommended that the team visit at least five to ten properties before making a decision. Many organizations view dozens of properties before finding a suitable location.

FOCUS ON SAFETY

As you evaluate sites, always keep in mind safety issues for your school. Personal safety, fire safety and safe accessibility for those with disabilities should be given a high priority.

DON'T FALL IN LOVE WITH THE REAL ESTATE

This is a major mistake of many groups. Entering into a real estate transaction is a business arrangement. Operators must be prepared to evaluate facilities in an unemotional way and to be able to walk away from any situation where costs outweigh benefits.

GET EDUCATED ABOUT THE MARKET

Armed with an estimate of the school's square footage needs and its basic budget, the team should visit a variety of types of space. They should become familiar with local rates, such as:

Cost Per Square Foot – The cost per square foot (cost psf) is the total cost divided by the total square feet of the space. Compare the rates on several facilities. The rates will probably vary based on the condition of the space, the amenities offered and the location of the property. After viewing a number of properties the team should get a feel for current rates and what they will be able to afford.

For leased space, this rate is calculated based on the annual rent divided by the useable square footage. Useable square footage excludes the space taken up by walls, elevators, etc. When viewing space to be leased, the site selection team should note what is included in the cost per square foot. Taxes, insurance and utilities may or may not be included. If they are excluded the lease rate may be called "triple net." This means that the lease rate is net of those expenses and therefore the school will be responsible for them. The team will also want to know whether the tenant or the landlord is responsible for property repairs and maintenance.

For a facility to be purchased, the cost per square foot is simply the purchase price divided by the total square footage. The site selection team should be sure to note how the square footage of the building was determined and what space it includes. Square footage estimated by the seller is less reliable than square footage measured by a certified real estate appraiser. Square footage that includes unusable space, such as the basement or attic, may result in a misleading rate.

To compare the cost of purchased space with leased space, divide the annual cost of the purchased space (mortgage payments) by useable square feet. Compare this rate to the lease rate. This is a basic comparison, and operators may want to evaluate other long-term costs and benefits from purchasing or leasing.

Costs of Improvements – During the site selection process, it is important to obtain a realistic sense of the all-in cost to make a facility operational. As an exercise, prepare a budget for a potential site visited by the team. Even if that site is not selected, it will give the team a realistic sense of the costs involved. (See Section V for ideas about budgeting.)

If the site is to be purchased, estimate closing costs, financing fees, and the cost of interior and exterior renovations. If possible, ask a general contractor to visit the site and give a real estate estimate of the cost of the construction work.

If the site is to be leased, calculate any one-time costs that would not be paid for by the landlord. Some landlords will not pay for renovations, such as new walls for classrooms, installation of outlets for computers, etc.

COMPARE BUYING VERSUS LEASING

Many charter schools will face the dilemma of whether to buy or lease a facility. There is no right answer; both options have advantages and disadvantages.

ADVANTAGES TO BUYING

- May provide a good option for schools that are knowledgeable about financial and legal issues around property ownership
- May be more economical than leasing for schools with large enrollments. Large one-time costs can be spread over many students
- Allows control over the physical plant and gives sense of permanence to school
- Protects from the uncertainty of short-term leases
- May improve ability to build financial assets

DISADVANTAGES TO BUYING

- Necessitates up-front cash
- Requires substantial time

- May require debt
- Gives school responsibility of property management
- Results in less flexibility to change locations easily
- Owning real estate may be legally prohibited for schools

Some technical real estate terms include:

Agreement of Sale

Legal document denoting price offered by buyer and any conditions to the sale. This document is legally binding when the seller signs it (accepts the offer).

Settlement Date or Closing Date

The date when the seller receives payment for the property and ownership transfers to the buyer. If a loan is needed, loan documents are also signed at this time.

Mortgage (also called a Deed of Trust in some states)

The instrument through which ownership of a property is transferred if a loan cannot be repaid. Most lenders require a mortgage as collateral when lending funds. The party borrowing the funds will sign a legal document evidencing this pledge.

Note

A written promise to repay a loan, which lays out the amount of the loan, the interest rate and terms of repayment. The party borrowing the funds will sign a legal document evidencing this promise.

Title

Legal control of a property. You will receive "title" to the property you are buying at the closing or settlement. A title company will research the past ownership of the property and any outstanding liens or unpaid bills before title is transferred to you. All buyers want a "clean title" to the property being purchased, meaning there are no other ownership claims to the property and no unpaid bills (especially taxes) for which the new owner could be responsible. Buyers can purchase "title insurance" from title companies to ensure that their ownership of a property is free of any other claims or liens.

ADVANTAGES TO LEASING

- Allows for more flexibility
- Provides more options since many different types of space are usually available to lease
- Can have shorter negotiations when buying property
- Creates flexibility to move at a later date if necessary
- Requires less up-front cash and may be cheaper in the short run
- May involve fewer property management responsibilities

DISADVANTAGES TO LEASING

- Creates uncertainty at the end of the lease term when the school will have to find alternative space if the lease cannot be renewed
- May be harder to finance because many lenders will not accept a lease as collateral for a loan (although in some states a Leasehold Deed of Trust is acceptable as collateral for a loan – check with local lenders)
- Can be more costly over the long run since it does not allow the organization to build assets
- Often involves a lack of direct control over property management issues

Some technical terms involved with leasing real estate include:

Lease agreement

This document details the terms of the lease, including the amount to be paid (usually monthly). The agreement will outline the responsibilities of both the tenant and the landlord. The tenant and landlord must sign the document to make it valid and in effect.

Term of the Lease

The lease agreement will identify the dates when the lease is in effect. It will also describe if the tenant has the option to renew the lease and how to do so.

Base Rent, Effective Rent, Annual Increases

The base rent is the amount to be paid as negotiated in the lease. The effective rent takes into account rent abatement, or months of free rent that reduce the overall cost of the lease. The lease agreement will also lay out whether or not the rent will increase and when.

Triple Net (NNN)

With a NNN lease, the tenant is responsible for the payment of taxes, insurance and utilities (not included in lease payments). In other words, the lease payments are net of taxes, insurance and utilities.

Rent Abatement

Rent abatement is a concession given by the landlord in the form of reduced or waived lease payments. For instance, a tenant might negotiate to receive three months free rent while the tenant is renovating the space at the tenant's expense. The rent abatement is in consideration for the expenses incurred by the tenant.

Lease Details

It is important to pay careful attention to the fine print. Make sure you understand how the following will be handled:

- payment of utilities
- payment of taxes
- payment of insurance
- responsibility for maintenance
- responsibility for custodial duties
- access to shared amenities
- access to parking
- off-hours access
- security
- notice of termination of lease
- options to renew lease

CONSIDER A VARIETY OF OPTIONS

The following chart summarizes advantages and disadvantages of various types of space, regardless of whether it is leased or purchased.

TYPE	PRO	CON
School buildings	• Ideal academic setting • Already arranged with classrooms, gym, cafeteria, library, administrative offices • Site is usually very accessible • Good parking, playground space	• Rarely available in good condition • Sharing space with charter schools difficult in some districts • School buildings sometimes deed restricted to educational use (decreasing the re-sale value for charter schools purchasing these facilities)
Commercial space	• Frequently available in strip malls • Large, open spaces easily converted to classrooms • Easy bus and car access • Good parking	• Extensive renovations required • Few windows, poor light & ventilation • Setting often inappropriate for school • Limited playground space • Busy traffic may be safety issue • May not be zoned for education use
Office space	• Frequently available • Access to public transportation • Good parking, car access	• Extensive renovations required • Limited non-academic space (gym, etc.) • Limited playground space • Elevators and potential safety issues • May not be zoned for education use
Residential space	• Location accessible to student homes	• Extensive renovations required • Limited non-academic space • Zoning variance possibly necessary • Limited parking • Potential difficulties accommodating growth • Possible resistance from neighbors
Warehouse/flex space	• Large, open spaces easily converted to classrooms • Easy to adapt space for non-academic uses (gym, etc.) • Easy bus and car access • Good parking	• Extensive renovations required • Limited access to public transportation • Zoning variance possibly required • Potential hazardous material issues • Possibly inappropriate setting for school
New construction	• Tailored to the school's needs • Low maintenance costs	• Public funds to construct new buildings sometimes prohibited for charter schools • Very expensive (though sometimes actually cheaper than renovating) • Disposition of building if charter is not renewed
Modular units (trailers)	• Can be obtained quickly • Appropriately sized space provided • Configured in flexible ways • Short term commitment • Flexibility of location • Growth easily accommodated	• Expense of necessary site work • Sub-optimal in bad weather conditions (not all under one roof) • Limited office and non-academic space
Houses of Worship	• Usually very affordable • Frequently available during school days • Often configured with classrooms • Often include gym, cafeteria, playground • Good access, parking	• May need to set up every Monday, pack up every Friday

INVESTIGATE CONDITION OF LAND

When looking for a site to build a new facility, there are a range of other issues to consider:

Infrastructure

Does the site have water, electricity, gas, sewage (or septic tank)? Is there easy access to the site by roads, or will roads have to be built?

Soil Condition

It is worth doing a preliminary assessment of the soil condition if there is any reason to believe the soil cannot support a new facility. Is the soil marshy or sandy? On the other hand, particularly rocky soil can also impinge on your ability to build on a site. A soil engineer can help you investigate these concerns.

Zoning Issues

Who will support your use of this land for a charter school? Who will oppose it? Get legal help early if there is a chance of a public debate.

Environmental Issues

What else has this site been used for? If there were any industrial or unknown uses in the past, you will want to get a Phase I Environmental Report (at a minimum) to find out exactly who used the site in the past. If the Phase I indicates underground storage tanks, you may need to do further tests to verify underground storage tanks or other potentially hazardous materials.

A Creative Solution

The founders of the Flagstaff Arts and Leadership Academy in Arizona searched for sites in a variety of places. A potential site in a shopping mall was the right size but didn't "feel right." The school approached a local cultural institution, the Museum of Northern Arizona to host the school on its 400-acre campus and use the charter school's modular buildings for summer outreach programs. The museum agreed and now the museum's arts and science exhibitions are integrated into the charter school curriculum. The partnership helped raise community awareness about both institutions and helped the charter school raise additional start-up funds.

Source: "Museums and the Charter School Movement," Museum News, September/October 1998.

CREATIVE SOLUTIONS

The key to the site selection process is to keep many options open. No matter how perfect a facility seems, experience has shown that there are many hurdles to clear after selecting a site. It is critical to have one or two back-up plans at all times in the process. This is time consuming, but it will pay off when an unforeseen obstacle appears.

Continue to keep an open mind when selecting a site. You may find a building to buy which cannot be renovated in time. Leasing for a year might be a reasonable solution.

Negotiate. Everything is negotiable in the facility development process. Don't assume any price is absolute – make an offer! There are a variety of ways to compromise with landlords and sellers of property which may save you money. Take advantage of any knowledgeable advisors to make sure you get the best deal.

WHERE TO GO FOR ADDITIONAL INFORMATION

The School Design Primer, The Little Institute for School Facilities Research, 1996. Contact The Little Institute for School Facilities Research, 5815 Westpark Drive, Charlotte, NC 28217.

Guide for Planning Educational Facilities, The Council of Educational Facility Planners International, 1991. Contact CEFPI at 8687 E. Via de Ventura, Suite 311, Scottsdale, AZ 85258-3347.

Charter School Development Guide California Edition, by Eric Premack, 1998 (published by the author).

The Charter School Workbook, Second Edition, Center for Education Reform, Washington, DC, 1997. 800-521-2118 or *www.edrefrom.com.*

The Massachusetts Charter School Handbook, Fourth Edition, Pioneer Institute for Public Policy Research, 1999. *www.pioneerinstitute.org/cscr/ch8.html.*

SITE SELECTION WORKSHEET *(rate each criteria: 1=poor 5=excellent)*

LOCATION **Rating**

- Is it consistent with the school's geographic territory?
- Can buses get in and out easily?
- Is it accessible by public transportation?
- Is it accessible for parents and staff?
- Can students walk or bike conveniently?
- Is adjacent traffic reasonable?
- Can emergency vehicles get in and out easily?
- Is it close to affiliated institutions?
- Are adjacent businesses appropriate for student traffic?
- Is there a history of crime or vandalism in the area?
- Can the school regulate access by unwanted visitors?
-
-

BUILDING

- Is the size adequate?
- Will it accommodate future growth?
- Is it structurally sound?
- What is the condition of the roof, exterior walls, windows?
- What is the condition of the electrical system?
- What is the condition of the plumbing system?
- What is the condition of the heating/ventilation system?
- Is there an expectation that it contains asbestos/hazardous materials?
- Are there appropriate fire exits?
- Is the building ADA (American's with Disabilities Act) compliant?
- Is the building configured for classrooms?
- Is there adequate office space?
- Is there adequate storage space?
- Is there space for a gym, cafeteria, library?
- Is there space for other uses (check needs assessment):
- Are there adequate bathroom facilities?
- Will energy costs be reasonable?
- Is there proper drainage in the basement?
-
-

LAND

- Is there access to electricity, water, sewer, gas, phone?
- What is the condition of the soil?
- Are there any zoning issues?
- Are there any underground storage tanks or other hazardous waste?
-
-

SITE

- Is there adequate parking?
- Is there adequate outdoor/playground space?
- Can the site be maintained (grass, snow etc) for a reasonable cost?
-
-

RESTRICTIONS

- Is it zoned for school use?
- Does it currently meet building codes?
- Is the title clear? (no one else claims ownership)
- Are there any easements or restrictions on the site (such as restricted in perpetuity for educational use)
-
-

COSTS & RENOVATIONS *(see Section V to help estimate costs)*

- Has an appraisal been prepared?
- Is the purchase price or rental rate reasonable? Comparable to similar sites of similar quality?
- Are renovation costs reasonable? Based on estimates by a reliable general contractor?
- Are site improvement costs reasonable? Confirmed by an architect or project manager?
- Are the ongoing costs of the facility between 10 percent and 25 percent of the charter school's operating budget?
-
-

TIMING

- Is it vacant and available immediately?
- Is the owner motivated to negotiate quickly?
- Has any necessary environmental testing been completed?
- Is sufficient financing available to complete the transaction quickly?
- Is zoning appropriate (no need for zoning variances or hearings)?
- Are architectural drawings and specifications quickly available?
- Are building permits quickly available?
-
-

POLITICAL ISSUES

- Will neighbors approve the use of the site as a school?
- Are local politicians supportive?

SECTION V CONSTRUCTION/ RENOVATION

The charter school operator who finds a site that perfectly meets his/her needs without any repairs or renovations enjoys a tremendous amount of luck. Unfortunately, not all charter schools are so lucky. No matter how minor the construction/renovation work on your facility, it is helpful to have a general understanding of the issues related to construction and renovation.

There are a few general rules about any size construction/renovation project:

NEVER UNDERESTIMATE THE TIME

Remember Murphy's law? Even the smallest project can take two to three times longer than expected. You may need a permit that could take longer than expected, materials may not be available, workers may be busy on other projects, not to mention unforeseen construction glitches. Always give yourself plenty of time to plan and complete any construction/renovation project.

DON'T UNDERESTIMATE THE COSTS

If the timing of a project is delayed, you can be sure the costs will increase. Even when timing is not an issue, construction/renovation projects have many unknowns and the costs are somewhat unpredictable. Get solid information on costs up-front. Don't rely on one estimate – get at least three. If one contractor is proposing to do the work for significantly less than other contractors, research the details. Find out what is included in the bid and the quality of the contractor's work on other projects. Many charter schools have been attracted to low-cost contractors, only to find out it is more expensive in the long run when they have to repair poor-quality work.

ASSIGN A POINT PERSON

Every construction/renovation project needs a point person who can make decisions as they arise. This responsibility can be covered by a staff member or the charter school director if the project is relatively small. Larger and complex projects may benefit from an expert who is retained as the project manager (see Section III) and who can devote a considerable amount of time to project oversight. Either way, the charter school should make sure that its internal process does not further complicate the construction process and that construction in turn does little to disrupt the school's planning and preliminary operations.

SAMPLE PROJECT BUDGET "A" – PURCHASE BUILDING AND RENOVATE

Use best cost estimates, be as detailed as possible

USES OF FUNDS:	
Acquisition of building	$250,000
Construction/renovation Costs	
Demolition of old walls	75,000
Electrical	65,000
Plumbing	80,000
Heating/ventilation	40,000
Roof	50,000
Drywall and painting	140,000
Carpet	35,000
Windows	40,000
Fixtures and Fit-out	55,000
Site work	20,000
Total Construction:	600,000
Hard Cost Contingency (15%)	90,000
Total Acquisition & Construction:	940,000
Legal Fees	10,000
Appraisal	5,000
Architect	30,000
Project Manager	10,000
Engineering	5,000
Insurance during construction	3,000
Closing Costs	5,000
Financing fees (loan origination fee etc.)	7,000
Interest during construction	35,000
Inspection fees	5,000
Environmental studies	12,500
Accountant	5,000
Security	8,000
Bonding	6,000
Total:	146,500
Soft Cost Contingency (5%)	7,325
Grand Total:	$1,093,825
SOURCES OF FUNDS:	
Start-Up Grant	$150,000
Donations	238,325
Loan	705,500
Grand Total:	$1,093,825

"Hard Costs" are anything related to the building structure or its materials

Large contingency budgeted due to extensive nature of renovations. Most projects have 10% contingency

"Soft Costs" are related to all other costs, including architectural, financing and legal

Soft Cost Contingency is usually 5%

Make sure "Sources" equal "Uses"

SAMPLE PROJECT BUDGET "B" – LEASE SPACE AND MAKE MINOR IMPROVEMENTS

USES OF FUNDS:		
Painting		$10,000
Electrical upgrade to meet code		3,000
Addition of 2 bathrooms		7,000
Patch roof		2,000
Add ramp for handicap accessibility		2,500
Repair 6 windows		500
	Total:	25,000
Contingency (10%)		2,500
	Grand Total:	$27,500
SOURCES OF FUNDS:		
Start-Up Grant		27,500
	Grand Total:	$27,500

10% contingency typical for a smaller project with less risk

PROJECT BUDGET

Above are two examples of project budgets. Sample budget "A" is for the acquisition and renovation of a building. Sample budget "B" is for minor repairs to a space leased by a charter school. No matter what the size of the construction/renovation project, charter schools should carefully develop a budget for the project, and constantly update it. **See Appendix C for a model capital budget.**

Every project budget should have some common elements. First, operators should be careful to only include costs associated with the facility. The project budget should be separate from the school's operating budget. This will allow you to track in greater detail the items in the project budget and the funds that will be used to pay for them.

Uses of Funds

This section should be as detailed as possible. Until you have accepted a contractor's bids for the work to be done, use your best estimates of how much each item will cost. Break categories into the smallest sections possible because this will help you estimate the real cost of the project. Always include a contingency amount, which is a percentage of the total costs added to those costs for unexpected expenses. Having a contingency budget item is extremely important.

Construction/renovation costs will vary considerably from project to project. Use the sample budgets as a guideline, costs will vary in your local area and depending on your project.

Beware of hidden costs in your construction/ renovation project. Sample budget "A" shows soft costs related to the project which many schools forget to include. These costs can be a substantial part of your project budget, especially if you are doing a large project or building a new building. Other costs that are often forgotten are moving expenses, expenses associated with informing people of the new location, new phone systems and security. Also don't forget about computers, desks, furniture and other capital expenses. They may be separate from the construction project but they still require funds.

Sources of Funds

Once you know how much money you need for your project, the budget should show how you will pay for it. Many charter schools prepare a budget by starting with the source of funds and then seeing what it will buy them. Avoid this practice if at all possible. You will be better served by determining how much money

you need under different scenarios (minor repairs to meet code, major repairs to make the space more comfortable, gut rehabilitation to custom build a space to your needs) and then determining what sources of funds you will use to pay for them.

Note the availability of your sources of funds. Do you have the funds on-hand right now? Will they become available at a later date? Is there any uncertainty about receiving them? If you do not have all the sources of funds available right now, talk to your architect about whether there is a way to do the project in phases so you can complete what you have funds for now and finish the rest later. Doing a project in phases can be a good way to do only what you can afford, as you can afford it, however you should make sure this makes sense for your facility. Some projects are not conducive to doing in phases, for instance, the replacement of a roof must be done all at once.

You should anticipate that contractors will want to be paid within 30 days of completing their work. If your sources of funds will not be available on that schedule you should negotiate a different payment plan with your contractors in advance or scale back your project to meet the availability of funds.

Budget Revisions

Your project budget is not set in stone. As your project evolves, the figures in your uses and sources of funds will change. Remember to update your budget frequently. If costs come in lower than expected you may be able to use the savings on other items not budgeted, or you may wish to keep the savings for operating expenses. If costs come in higher than expected you will need to find additional sources of funds.

PROJECT TEAM

It is important to assemble a team to deal with a construction project, unless it is very small. There should be a team leader who coordinates all efforts and has authority to make final decisions. A good model is to establish a regular project team meeting on a recurring basis – possibly once a week. One member should take notes and distribute to the rest of the team. This system will help maintain communication among the team members and hopefully avoid problems during the construction/renovation process.

The team could be made up of the following:

School Primary Contact Person

At least one school staff member should be on the team, possibly the school director. Be careful to assign someone who will have time to attend meetings and review the work of contractors.

Tips for choosing an architect:

- Interview several before making a final choice
- Get recommendations from other charter schools, other non-profits, or a local chapter of the AIA
- Check professional affiliations
- Be realistic about how much you can afford to pay and tell them
- Check www.aiaonline.com

Architect

The architect should be added to the team as soon as possible. Choose an architect with whom you feel comfortable – you will need to work closely with this person. Understand the payment arrangements up-front and make sure the architect will be able to make the kind of time commitment you need for your project.

Beware of the mistake of surrendering everything about your project to the architect, or any other professional you retain. The professionals you involve may be experts, but it is up to you to analyze the information they give you and make the final decisions. The charter school must remain an active member of the team in order to achieve the best facility for its program.

Project Manager or Owner's Representative

This person is someone a charter school may retain to coordinate all aspects of the project. This manager could have a variety of technical backgrounds (architect, builder, inspector, real estate professional). As noted in the Needs Assessment section, this person should be involved throughout the entire facility development process, from needs assessment to completing necessary renovations and opening the school. A project

Tips on choosing a Project Manager:
- Check with other charter schools
- Interview several before making a final choice
- Check for relevant experience on similar size projects, and with zoning and permitting issues

manager may be especially useful when involved in a renovation project where the architect is needed only for a small component of the overall project.

A charter school may choose to delegate a great deal of decision-making to a project manager they trust, however the same warning about surrendering to the experts mentioned above still applies.

A project manager's prime responsibility is to protect the interests of the school. Make sure you find someone knowledgeable who will not stand to gain from any decisions you make, such as the selection of a particular architect or general contractor.

General Contractor

The contractor will be a key member of the project team. A general contractor will coordinate all aspects of the construction/renovation work on your project, hiring electricians, plumbers and carpenters (the sub-contractors) and making sure the work gets done. A general contractor can be selected many different ways, discussed below in the next section.

The general contractor ("GC") should be an active member of the project team and should be present for all team meetings once selected. At these regular meetings the GC can report on the progress of work done and costs incurred. It is important to communicate regularly with the GC so that building issues or questions can be discussed and resolved quickly.

Attorney

Unless the size and scope of your construction/renovation project is especially small, you will probably need an attorney involved in the project team. Your attorney will represent your charter school on all legal issues involved in the project and can be extremely helpful in protecting your school from liability. The attorney will be heavily involved in the beginning of your project (acquisition of land or building, negotiation of leases and zoning, permits, construction and architect agreements, etc.). Those schools that are considering the acquisition of land or buildings should consult with an attorney as soon as possible.

Operators will want to select an attorney with appropriate experience in real estate. Be careful with volunteer attorneys who are not familiar with this area of the law. Board members who are attorneys can be helpful, but the same suggestion applies – make sure they have relevant experience. Charter schools do not want to be the laboratory for an attorney to learn about real estate law. In addition, find out if your proposed project involves any subspecialties of law and find the appropriate attorney. For instance, if you are buying unimproved land for your facility, a land attorney specifically may be needed.

What Every Contract Should Include:

- The parties to the contract
- The purpose of the contract *(e.g. To retain the services of a project manager)*
- The scope of the agreement *(e.g. To assist with site selection, selection of contractors, monitor construction and oversee move-in)*
- Roles, duties and responsibilities *(e.g. Attend all project meetings, inspect all construction work, etc.)*
- The time of performance *(e.g. Deadlines, start and end dates)*
- Compensation
- Dispute resolution
- Termination clauses

CONTRACTS

Throughout the facility development process, operators will be entering into contracts with various professionals and should know what their rights, obligations and expectations are in each case.

A contract is a legally binding agreement between two or more entities where there are benefits received by both sides (for example, the charter school may receive the benefit of an architect's services and the architect receives a fee). Well-written contracts will prevent disagreements later. Don't fear lengthy documents - the longer the contract, the more need there is for issues to be addressed in the beginning. Think twice before you sign a contract that says merely: "Contractor will install new sewer system – cost $80,000; 50 percent deposit; balance payable on invoice."

You will enter into a contract with each of the professionals you hire for your project. Be sure to review each contract carefully before you sign it. Make sure to read the fine print and ask questions about anything that doesn't make sense. If you hire a project manager, he/she should be able to help you understand the contents of each contract.

The following chart summarizes different bidding processes and contract types:

BIDDING	PRO	CON
Competitive Bid *Provide specifications of the work to be done to several GCs. Each responds with a bid of how much they will charge if you select them.*	• encourages lower prices • allows you to compare prices • gives more GCs a chance to win your business	• may allow GCs to underestimate costs to win the bid, and work may not be completed for stated price • can be lengthy process to develop specifications and oversee bidding process
Negotiated Bid *Select a GC you want to work with, negotiate the price of the work (no bidding).*	• is faster than bidding • may get more realistic final cost	• doesn't allow comparison to other GCs • may not get lowest cost

CONTRACTING	PRO	CON
Stipulated Sum ***(Lump Sum or Fixed Price)*** *GC submits a fixed price for the cost of the work. Any changes are billed separately through a change order, i.e., any change to the fixed price amount of the contract is made through a change order.*	• provides a fixed price for the work stipluated • allows changes not anticipated at a specified amount to be approved • requires complete and final set of plans	• could incur significant additional costs when changes approved, if original contract was not complete or specific enough. (Note: this can be true for all contracts) • is not feasible for fast track projects or design build projects
Cost Plus a Fee with a Guaranteed Maximum Price *GC submits a guaranteed price that includes provision for a managing fee, i.e., for the GC to earn a fee for managing the project. Any change to the contract amount requires approval via a change order.*	• allows more negotiation over what work will be completed and costs of work • provides charter school with greater control • can include, and usually does, a "sharing in the savings" clause • is feasible for fast track projects	• allows for incomplete plans, which could be a negative in the long-run • may be much more expensive for the school since costs include best "guestimate" in the form of allowances
Time Plus Materials *GC charges for each task completed (labor and materials) and there is no set price.*	• allows project to be completed piece-by-piece	• encourages GC to create more work to be done • provides no absolute figure for budget • requires heavy monitoring by charter school

OTHER TERMS

Bonding

For many charter school facility projects, requiring the construction firm to be bonded will be a good idea. Payment and performance bonds are financial guarantees by a surety company. The payment bond guarantees the payment obligations for labor and materials for the project. The performance bond guarantees that the contractor will complete the job according to the contract. If the contractor were to fail to complete the project or pay for the labor and materials provided by subcontractors, the surety company would be responsible at its own expense.

The cost of bonding is usually passed on to the developer (in this case the charter school) in the construction bid the contractor gives. Contractors obtain bonding after being analyzed by the surety company. As a general rule, the cost of bonding is one percent-two percent of the contract amount. The insurers thoroughly review the contractor's experience, equipment, financial resources and the quality of their subcontractors. If a contractor can obtain bonding, it is often a sign that the firm is stable and reliable, although charter school operators should not use this as a proxy for their own evaluations of a contractor.

Change Orders

When something unexpected arises outside of what is included in the fixed price contract or the GMP, the charter school will have the opportunity to approve a change order to include the item in the contract. For instance, a school worked with an architect to develop specifications for a competitive bid for the renovation of a building. A GC was selected and a contract agreed to. The contract included the cost of repairing the roof, but it did not anticipate repairs to a brick chimney. During the construction process the GC discovered the problem with the chimney, brought it to the school's attention and quantified the cost of repairing it. The school then had the option to repair the chimney for the quoted price, or not. Keep in mind that the older the building and the more extensive the renovation work needed, the higher the likelihood of incurring change orders.

Contingencies

Early sections discussed the need to budget for contingencies. The above example of the chimney repair is precisely the reason for budgeting for contingencies. Neither the school nor the architect anticipated the condition of the chimney. Every project needs funds set aside for unforeseen eventualities.

Retainage

A common practice in construction/renovation projects is to withhold a percentage of the amounts due to contractors until the end of the project to insure completion. The amount withheld is called retainage. Customarily 10 percent of the contract amount is held as retainage until the entire project is complete. For instance, a carpenter working on a project for two months might submit an invoice after the first thirty days for the work completed to that date. The school makes a payment of 90 percent of the invoiced amount and withholds 10 percent as retainage. At the end of the second month when all the carpentry work is done, the school could pay 100 percent of the invoice for the second month's work, plus the 10 percent withheld in the first month. Arrangements for retainage should be negotiated up-front.

PLANNING AND APPROVAL PROCESSES

Depending on your local jurisdiction, your facility will be subject to several different regulatory bodies. Navigating these processes can be time consuming and in some cases may present significant challenges to your project. In some areas opponents of charter schools are using zoning and building code issues to try to block schools. Be aware of the process in your local jurisdiction and be prepared to marshal all the resources you will need (i.e., public and political support, media attention, etc).

Zoning

The local zoning authority regulates property use. Properties have zoning designation, such as residential, commercial or industrial. If the zoning of the proposed facility you wish to use does not allow for the

education of children in its space, you may need to present your case at a zoning hearing to have the designation changed (you will need a variance from the zoning designation). These issues will vary considerably among jurisdictions, so operators should work closely with their architect or project manager to identify these issues and work toward resolution.

Planning

If you are constructing a new building, you may need approval from a local planning authority before work can proceed. This body may request changes to your plans, the preparation of which can add time to your development process. This will be a major responsibility of the architect.

Building codes regulate:

- Structural and foundation loans and stresses
- Construction materials
- Fireproofing
- Building heights
- Ventilation and air conditioning
- Plumbing fixtures and installation
- Electrical installation
- Heating system construction and equipment

Building Code

Each jurisdiction will have building codes regulating safety issues in your facility. You must comply with these regulations in order to receive a certificate of occupancy to legally occupy your facility. In some jurisdictions, charter schools are exempt from some of these regulations because they are classified as part of the school district, which maintains its own standards. In other places, you may face additional requirements because you are a school. You should consult with your architect or project manager to determine local requirements. Talk to someone knowledgeable about charter schools to determine what specific exemptions or constraints apply to you.

MANAGING CONSTRUCTION/RENOVATION

Overseeing the construction/renovation process can be a difficult proposition. For first-time developers, the complexity of the process can be intimidating. For experienced developers, the process never fails to teach you something new each time. Clear communication and good planning can help the process go more smoothly.

1-3 MONTHS	2-4 MONTHS	6-18 MONTHS	1 MONTH
PLANNING AND DESIGN • Study of available space • Preliminary floor plans and drawings	**APPROVALS AND CONTRACTS** • Final drawings • Construction specifications • Zoning approval • Preparation of RFP's • Bidding • Interviews and selection of GC • Sign contract	**CONSTRUCTION** • Permits • Review by fire marshall, engineer • Excavation/demolition • Building construction/ renovation • Team meetings	**PUNCH LIST** • Final details • Certificate of Occupancy • Move-in

PLANNING AND DESIGN

The first phase begins when you start working with your architect on the planning and design of your facility. Construction of a new building will require more in this stage than a moderate rehabilitation of an existing building.

APPROVALS AND CONTRACTS

This phase is often the toughest because it is the point at which your vision for your facility must mesh with contractors and regulatory agencies. Your initial plans may need to be modified for cost or regulatory issues. You may also discover at this point that your project is not feasible at all.

At this point your architect needs to produce precise specifications of all the work to be done so that the project can be approved by regulatory agencies and put out to bid. You will prepare a request for proposals (RFP) to which the contractors will respond. Your RFP should outline the work to be done with as much precision as possible. You may want to interview the contractors before you select the one you are going to work with.

CONSTRUCTION/RENOVATION

Once construction begins, the use of the project team meetings becomes central to a successful project. In addition to approving invoices for payments and inspecting work completed, these meetings will provide an important forum for the school and contractor to communicate about design issues and problems.

The construction contract will detail how payments will be made. Many contractors will invoice once every 14 or 30 days. It is important that the architect, project manager and a school representative sign-off on all work completed. This must include a visual inspection of the work. It is important not to advance funds before work has been completed and inspected.

At the time of each progress payment you should review your project budget to monitor actual costs versus what you budgeted. If there are change orders to the contract you may need to allocate additional sources of funds.

PUNCH LIST

At the end of your construction/renovation project all the major work will be completed and what remains is called the punch list. These are the final details such as installing minor fixtures, painting touch-ups and clean-up. This is often when contractors lose interest in a job, so keep your list of punch items and make sure they are completed. (This is the time when holding a 10 percent retainage can insure that the contractor finishes all those little details.)

You will receive your Certificate of Occupancy (CO) once all work has been completed and local inspectors can review your project's compliance with safety, fire and building codes. You will not be able to occupy your facility until you get your CO.

This is also the time when you will need to move furniture and equipment into your facility. Teachers will want access to their classrooms and computers may need to be set up. You should leave adequate time for all these activities, although this is not always possible.

CONSTRUCTION PITFALLS

Even experienced real estate developers experience problems during construction/renovation. Here are a few to watch out for:

Delays

As mentioned in the beginning of this section, never underestimate the time involved in a construction/renovation project, no matter how big or small the project is. Plan for delays, have contingency plans in place in case you are not able to open school on time. The timing of material shipments, the weather and labor shortages – all contribute to uncertainty around the construction/renovation process.

Poor Workmanship

Unfortunately the work completed is not always up to standards. The best way to prevent this is to retain an experienced project manager or architect who can spend considerable time on-site during construction to monitor quality. Check your contract and understand your rights and responsibilities.

Unauthorized Work

Particularly with renovation projects, a general contractor may feel it is necessary to do work not specified in the contract. The GC may feel this work is central to the overall project, however the charter school paying for it may disagree. The main way to avoid this problem is with a fixed price contract where the school must

authorize all changes (change orders) to the contract. If the school does not authorize a change, it is not obligated to pay for the work. Regular project meetings and a diligent project manager can also prevent this problem.

WHERE TO GO FOR ADDITIONAL INFORMATION

Contact the local chapter of the American Institute of Architects (AIA) for a listing of area architects or check *www.aiaonline.com/.*

The School Design Primer, The Little Institute for School Facilities Research, 1996. Contact The Little Institute for School Facilities Research, 5815 Westpark Drive, Charlotte, NC 28217.

SECTION VI
FINANCING YOUR CHARTER SCHOOL FACILITY

Public funding for the facilities of charter schools is scarce in many states. This forces charter schools to use per pupil revenues both for operating their program (paying teachers and other operating costs) and acquiring and maintaining their facility. In many cases this funding is insufficient to cover all the expenses associated with developing a facility and schools must finance their project in other ways. This section will review various sources of funds for charter school facilities and how to access them. Use the financing worksheet at the end of this section to compare sources of financing, their terms and conditions.

PREPARATION

When applying to any funding source – be organized. If you have a business plan, you can lay out exactly what your needs are and supply a great deal of information on your program in one document.

EARLY START

If you think you're going to need additional funding for your project, start seeking funds from a variety of sources as soon as possible.

SOURCES OF FUNDS

There are several major categories of funding sources. Obviously, grants are preferable to loans or bonds that must be repaid. Sources of funds include:

Government Grants

Foundation Grants

Corporate Grants

Individual Donations

Private Investors

Loans

Bond Issues

GOVERNMENT GRANTS

Depending on your local jurisdiction, your charter school may be eligible for various local, state or federal grants.

Federal Grants

Charter schools have used federal funds for facility projects, but these funds usually flow through state or local conduit government agencies. Check with your state and local governments for the following:

Start-Up Funds

The U.S. Department of Education provides grants to states for charter schools in their first three years of operation. Each state distributes these funds in different ways – usually either a per pupil amount received by each school, or through a request for proposal (RFP) process. They are currently your most dependable sources of funds for facility projects in the early years, though the amount of the grant is unlikely to be sufficient for any large capital project. They are also restricted and cannot be used to purchase a building.

CDBG Funds (Community Development Block Grant)

Federal funds distributed by states to revitalize communities. See *www.hud.gov/progdesc/cdbg-st.html*

Empowerment Zones/Enterprise Communities

Grants, tax incentives and loans to create jobs and expand opportunities in the most economically distressed communities. See *www.hud.gov/cpd/ezec/execlist.html*

HOPE Vi

Federal funds to revitalize severely distressed public housing and improve social and community services (including schools). See *www.hud.gov/pih/programs/ph/hope6/hope6.html*

State Grants

Charter schools should contact their state department of education, state legislators representing their district and any other related state agencies that may have funds available for a charter school facility.

Some schools have received small grants from local legislators when they have been able to demonstrate the positive impact of their school on a neighborhood. Legislators in some states, such as Pennsylvania, have made small grants to charter schools serving very low income communities.

Local Grants

Check with city and/or county governments to learn about local sources of grants. Your school may be eligible for funds based on the demographics of the students you serve, or because you are revitalizing the community through your facility project.

FOUNDATION GRANTS

Contributions from a philanthropy may be a worthwhile option to pursue for facilities funding. Foundations are highly specific; each has its own philanthropic focus, grant application and approval process. However, there are many reference sources about foundations that track the types of grants they make (for example, some foundations have a particular interest in funding educational organizations, or programs for children and youth), and their geographic focus. See *www.fdncenter.org* for more information about foundations in your area.

National Foundations

There are several national foundations who make grants to charter schools for operating expenses and technology needs, however none make funds available for capital projects. Hopefully this will change in the future.

Local Foundations

The Foundation Center (web site listed above) is a good starting place to find out about local philanthropies you might want to approach. Once you find a good match for your program, set up an appointment to meet with the staff if possible. This can be useful before filling out an application. It provides an opportunity to get a better understanding of what the foundation is looking for, and perhaps to help educate them about charter schools in general.

Do not ignore very small local foundations. They may be run by family members and more open to a variety of funding requests. Every contribution, even the small ones, count!

Fundraising Success

New Visions School in Minneapolis, MN raised $4 million over a 2-year period for its $4.6 million facility project. Contributing to New Visions' fundraising success was the school's ability to demonstrate results from its program, such as a 1-1/2 year reading gain among students for multiple years. An annual report that highlighted the school's achievements also raised awareness in the community and led to increased contributions.

Contact Bob DeBoer at 612-706-5512 or bdeboer@mail.actg.org.

If your area has an association of local foundations, you and other local charter schools may consider a brief presentation to explain the mission, goals and operation of charter schools. You may lay the groundwork for significant foundation support for your programs.

Applying to Foundations

Once you know you meet the eligibility criteria for a foundation, get an application or find out what its process is. If you prepared a business plan, it may be a useful attachment to their application. Pay attention to deadlines – many foundations make grants only once or twice a year.

Be Clear About Your Request

This manual is focused on developing your facility. If you are requesting foundation funds for your facility, you are looking for a "capital grant" or a "grant for bricks and mortar" or a "building grant". This is different from a request for an operating grant (to pay staff, buy materials, etc.). Many foundations do not make capital grants. Check before you apply.

Hone Your Message

If you are aware of a foundation's hesitation over charter schools, think carefully about how you will present your program. Often a pre-application meeting can be useful to answer any questions about how charter schools work. Be prepared to respond to questions about charter schools siphoning resources from traditional public schools, etc. If you meet eligibility requirements in other areas, such as serving a low-income population, try to emphasize the impact of your program in reducing poverty, for example.

Foundations want to know how you will sustain your program in the future. They are concerned about grantees becoming dependent on foundation support. This is a good opportunity to demonstrate how your school is self-supportive through per pupil allocations.

Do Your Homework

Make sure you have researched the size of grants a foundation has made in the past. Be sure your request fits in that range. Also, realize that foundations often require status reports to find out how their investment is doing. It is important to honor this commitment and many schools use it as an opportunity to further familiarize foundations with their work.

Beware of Co-Mingling Funds

Never change the use of grant funds without the consent of the donor. Even if you are in a bind and need to make payroll, don't use grant funds restricted for a capital project for any other use. Make sure you understand what the funds can be used for when you receive them and make sure your financial management system can keep them separate.

CORPORATE GRANTS

Many companies have charitable giving departments that make grants to community-based non-profits. This is an area worth investigating. Most communities have several businesses interested in investing in the community. Some companies are particularly interested in developing a skilled workforce, and you might consider pursuing a partnership that might include facility funding as well as in-kind support through mentors or materials.

As with foundation grants, find out what the company's goals are for its philanthropic efforts – if it has a targeted giving program or other eligibility guidelines. Again, your business plan may be a useful addition to any application.

Consider other ways to partner with local corporations. Some corporations have proven willing to invest substantial sums in schools near or within their own facilities. Having a public school nearby or on the premises is an excellent draw for employees. Talk to corporations in your community about a variety of ways to support your school.

INDIVIDUAL CONTRIBUTIONS

Fundraising for your facility through individual contributions may seem like an uphill battle, but it can be a meaningful source of funds. You might develop an individual contributions goal as part of an overall capital campaign (see below). Find out from board members, staff and parents if you have contacts with high net worth individuals who might be interested in making large individual contributions to your school (emphasize the tax benefits to these donors). If you expect individual donations to be fairly modest you can design a fundraising strategy such as "Buy a Brick" with each donor's name engraved on a brick visible in the school. Contributions from individuals can build community goodwill as much as raise funds.

Be careful, however, of the costs involved with raising funds through individual donations. Time, energy and money spent raising these funds should be considered, especially if it drains resources away from raising large grant awards or other sources of funding.

CAPITAL CAMPAIGN

Total Project Cost:	$400,000
Capital Campaign Goal:	145,000
Loan:	330,000

(The loan amount is larger than necessary in case the capital campaign raises only half its goal.)

BREAKDOWN OF CAPITAL CAMPAIGN GOALS

1 government grant	$50,000
2 foundation grants totaling	50,000
4 corporate grants totaling	40,000
100 individual donations totaling	5,000

CAPITAL CAMPAIGNS

An organized way to approach all the different sources of grant funding is to develop a capital campaign. This is a plan for raising funds (usually grant funds) for a specific project. There are fundraising consultants who can help you develop a campaign or you can develop one yourself. You should determine how much you can reasonably fundraise over a given time period and then lay out how you will go about doing that.

For instance, a charter school may decide to begin a capital campaign to raise $145,000 for a $400,000 facility project (the remainder to be financed through a loan). The school prepares a written fundraising plan including goals for each type of grant. This might include $50,000 from governmental grants, $50,000 from foundation grants, $40,000 from corporate grants and $5,000 from individual donations. The fundraising plan would further break out each category of grants; which organizations it would apply to; and which staff or board members would contact each one. The school should do its homework ahead of time to check its eligibility for each grant.

A smart charter school will be conservative in how much it thinks it can raise, and not count on receiving all grant dollars by the time it needs them for the project. In the example above, a larger loan size was assumed in case fundraising results were not as successful as planned.

A capital campaign like the one in the example would take at least six months. It would involve every board and staff member and many parents. It would put most of its resources into the large grants which it knew it had a good chance of receiving. Parents in this example could organize individual contributions and hold special events to raise funds. The key is to break a capital campaign into smaller pieces and to have realistic expectations.

PRIVATE INVESTORS

While you are considering various ways to finance your facility, do not overlook the involvement of individuals or firms in non-traditional ways.

If you are looking to buy a property, approach the seller to find out if they are interested in providing you with financing. Sometimes the seller will hold a mortgage which reduces the amount of grant or loan funds you need to raise to acquire the site.

Some sellers may be interested in getting a tax break by making a large monetary donation to the non-profit charter school which the school would then use to purchase the building. This should be arranged carefully with legal counsel, but it can be a creative way to get what is essentially grant funding from a non-traditional source.

Private investors might also be willing to buy a property and lease it to your school for reasonable rates. They may be able to help out with equipment leasing or other materials. One common arrangement is for friends of the school – perhaps even members of the charter school board – to purchase and lease a facility, or to lease a facility they already own, to the school.

While this approach can result in beneficial financial terms, operators should take care to avoid problems with conflicts of interest. A couple of guidelines can help. First, operators should be able to demonstrate that the rates they are paying are at or below market rates, i.e., that the owners are not earning extraordinary profits from the arrangement. Second, individuals with a financial interest in the property should scrupulously avoid the appearance or reality of participation in decisions made by the school about the property (e.g., by recusing themselves from board votes on property issues, by removing themselves from the charter school board altogether, or by refraining from "lobbying" other board members on property questions.)

LOANS

Many charter schools find they cannot raise enough grant funds to cover the costs of their facility projects. If the school can afford the costs of taking a loan (or issuing bonds – see below), and if it has the resources to make debt service payments, this may be a suitable source of financing for a facility project. In some cases, borrowing may even reduce the fiscal burden of facilities if loan payments are lower than lease payments, or if the loan allows the school to increase enrollment.

COSTS OF A LOAN:

Application Fee

Sometimes lenders will charge an application fee that must accompany the loan request. It can range up to $1,000 and can sometimes be credited toward the origination fee if the loan is approved.

Origination Fee

This fee covers the costs of the lender reviewing the loan request. It will usually amount to one to two percent of the loan amount. A one percent origination fee on a $500,000 loan would be $5,000.

Legal Fees and Closing Costs

Lenders may have additional fees for the preparation of the legal documents and other costs of "closing" or executing the loan. These vary widely depending on the lender and type of loan. Be sure to find out what they are up-front.

Prepayment Penalties

Sometimes lenders will charge a penalty if you repay your loan in total before it comes due. Check your loan documents before executing them to see if there is a prepayment penalty and how much it is. If you anticipate refinancing the loan, or prepaying it because you move to a new or bigger facility, you may want to look for a loan with no prepayment penalty.

Interest

Interest is the amount charged for borrowing funds. The interest rate is usually quoted in an annual percentage rate. For example, to borrow $100,000 for just one year at an interest rate of 10 percent would cost a charter school $10,000 in interest for the year.

Loan Repayment

Loan payments are usually made up of two components: principal payments (repaying part of the $100,000 borrowed) and interest payments (the charge for using the money). For mortgages, the payments will be the same each month, while the proportions of principal and interest vary. On the following page is a mortgage amortization schedule from the spreadsheet program Lotus 123. It amortizes a $100,000 loan at 10 percent for a term of 15 years. In the first month, the monthly loan payment or debt service payment of $1,074 includes $833 of interest and $241 of principal. After this first monthly payment, the loan will have a balance of $99,759 ($100,000 minus $241 in principal payments). You will notice that as more principal is paid down, the interest expense decreases. If you want to calculate your own loan amortization, you will need access to a spreadsheet program such as Lotus123, which has a template for amortizing loans. You can also use an HP calculator or search for one of the many mortgage calculators available on the internet.

MORTGAGE AMORTIZATION

Key Figures

Annual Loan Payments	$12,895.32
Monthly Payments	$1,074.61
Interest in First Calendar Year	$9,863.54
Interest Over Term of Loan	$93,429.80
Sum of All Payments	$193,429.80

Inputs

Loan Principal Amount	$100,000.00
Annual Interest Rate	10.00%
Loan Period in Years	15
Base Year of Loan	2000
Base Month of Loan	Jan

Payments in First 12 Months

Year	Mont	Beginning Balance	Payments	Principal	Interest	Cumulative Principal	Cumulative Interest	Ending Balance
2000	Jan	$100,000.00	$1,074.61	$241.28	$833.33	$241.28	$833.33	$99,759
	Feb	99,758.72	1,074.61	243.29	831.32	484.57	1,664.65	99,515
	Mar	99,515.43	1,074.61	245.31	829.30	729.88	2,493.95	99,270
	Apr	99,270.12	1,074.61	247.36	827.25	977.24	3,321.20	99,023
	May	99,022.76	1,074.61	249.42	825.19	1,226.66	4,146.39	98,773
	Jun	98,773.34	1,074.61	251.50	823.11	1,478.16	4,969.50	98,522
	Jul	98,521.84	1,074.61	253.59	821.02	1,731.75	5,790.52	98,268
	Aug	98,268.25	1,074.61	255.71	818.90	1,987.46	6,609.42	98,013
	Sep	98,012.54	1,074.61	257.84	816.77	2,245.30	7,426.19	97,755
	Oct	97,754.70	1,074.61	259.99	814.62	2,505.29	8,240.81	97,495
	Nov	97,494.71	1,074.61	262.15	812.46	2,767.44	9,053.27	97,233
	Dec	97,232.56	1,074.61	264.34	810.27	3,031.78	9,863.54	96,968

Yearly Schedule of Balances and Payments

Year	Beginning Balance	Payments	Principal	Interest	Cumulative Principal	Cumulative Interest	Ending Balance
2001	$96,968.22	$12,895.32	$3,349	9,547	$6,380.47	19,410.17	$93,620
2002	93,619.53	12,895.32	3,700	9,195	10,080.37	28,605.59	89,920
2003	89,919.63	12,895.32	4,087	8,808	14,167.69	37,413.59	85,832
2004	85,832.31	12,895.32	4,515	8,380	18,683.01	45,793.59	81,317
2005	81,316.99	12,895.32	4,988	7,907	23,671.14	53,700.78	76,329
2006	76,328.86	12,895.32	5,510	7,385	29,181.60	61,085.64	70,818
2007	70,818.40	12,895.32	6,087	6,808	35,269.07	67,893.49	64,731
2008	64,730.93	12,895.32	6,725	6,170	41,993.99	74,063.89	58,006
2009	58,006.01	12,895.32	7,429	5,466	49,423.08	79,530.12	50,577
2010	50,576.92	12,895.32	8,207	4,688	57,630.10	84,218.42	42,370
2011	42,369.90	12,895.32	9,066	3,829	66,696.51	88,047.33	33,303
2012	33,303.49	12,895.32	10,016	2,880	76,712.28	90,926.88	23,288
2013	23,287.72	12,895.32	11,065	1,831	87,776.84	92,757.64	12,223
2014	12,223.16	12,895.32	12,223	672	100,000.00	93,429.80	0

SOURCES OF LOANS

There are many different sources of loans, each with its own criteria, cost structure and application process. Included in Appendix E is a sample loan application from NCBDC for your reference. Every lender will have its own process and application requirements. Many lenders are not yet familiar with charter schools, so be prepared to give a basic description of how charter schools are organized and funded.

TYPE OF LENDER	WHERE TO FIND THEM	COMMENTS
Large regional and national commercial banks	Should have a presence in the community. Talk to a loan officer, perhaps in the non-profit, small business or real estate department.	If you serve a low-income community, your loan may help the bank meet its Community Reinvestment Act goals.
Small community banks	Talk to neighborhood banks near your proposed facility. Ask board members and parents where they bank. These banks may not have a non-profit lending department.	May have a minimum loan size. May have lower minimum loan size requirements and more flexible terms.
Community development financial institutions (CDFIs)	CDFIs try to revitalize communities by providing access to credit to organizations that are not otherwise eligible for loans. For a CDFI that finances charter schools, check NCB Development Corporation at *www.ncbdc.org*. Or, call NCBDC's education team at 202-336-7680 or email charterschools@ncbdc.org to request an application. Or, check *www.communitycapital.org* to find other CDFIs that serve your community.	May be more familiar with charter schools. Several CDFIs, including NCBDC, have dedicated loan pools for charter schools. May have more flexible lending criteria. There may be local and national CDFIs who serve your area.
Government loan pools	Some schools may qualify for government programs such as the USDA's Rural Development Program *www.rurdev.usda.gov/agency/rhs/cf/cf.htm*. This program provides loan guarantees for community facilities in rural areas.	Check eligibility: programs may target specific geographies or types of organizations.
Finance companies	See your local charter school resource center for private financing companies in your area. There are some national finance companies as well. Check *www.charterfriends.org/contacts.html* and *www.charterfriends.org/outofbox.pdf*	Compare rates; private finance companies may charge a premium over other sources.
Seller financing	If you have found a facility for sale, ask the seller if they are interested in taking back a mortgage. The charter school would make loan payments to the seller. Often the seller will only finance a percentage so you may still need conventional financing for the remainder.	Get a lawyer and accountant to review any seller-financed project. Beware of sellers who want to charge exorbitant rates – see if you can get a bank loan instead. If not, pay close attention to the fine print of any agreement and make sure your rights are protected.

TYPES OF LOANS

Before you approach a lender, know what you are asking for. Banks and other financial institutions have a variety of loan products. You should determine your facility financing needs an decide what loan product best meets those needs.

LOAN TYPE	USE OF LOAN FUNDS	TYPICAL LOAN TERMS	COMMENTS
Construction Loan	To pay for costs to construct a building or renovate an existing structure.	Repayment is usually required at the end of the construction period (usually 6-12 months).	At the end of construction, loan is usually converted into a permanent loan and repayment is made over several years.
Permanent loan or mortgage loan	To purchase land or buildings, or finance a project at the end of the construction period.	Charter school may have to provide up to 30 percent equity (i.e., the loan may be limited to 70 percent of the value of the property). Repayment may be required when charter expires.	This is often combined with a construction loan. Charter schools may be restricted to a "mini-permanent" loan with, for instance, a 20-year repayment schedule, but a requirement that the loan be repaid at the expiration of the charter, in say year five. This is called a balloon payment. In year five the school would refinance the loan to repay the lender.
Leasehold improvement loan	To fund the costs of renovating a leased facility.	Loan term will usually not exceed lease term. Borrower will need to obtain consent from landlord (lenders may require a leasehold Mortgage or Deed in Trust, or an Assignment of the Lease).	This type of financing can be difficult to obtain. Many lenders shy away from Leasehold Improvement Loans due to the poor quality of a lease as collateral. (Lenders prefer a mortgage on land or buildings because it can be liquidated to satisfy the loan.)
Working capital	To fund operating expenses, start-up costs.	Usually short-term (6-12 months).	This loan type is not covered in this manual, but charter schools may want to explore this type of financing with lenders if needed.

WORKING WITH A LENDER

Since loans are a very common way for charter schools to achieve their facility project goals, the following are tips for dealing with lenders.

Do your homework and bring the right information

Figure out what type of loan you need and what institutions offer those products. Set up a meeting with a loan officer to discuss your project. Do this as soon as possible. You may need to gather additional information before applying for a loan, but the sooner you review your project with a loan officer, the sooner you will know what your chances of getting financing are. Bring your business plan and a budget for your facility project and be able to explain them in detail.

Financing through a CDFI

A North Carolina charter school accessed financing for its facility project through a state-wide community development financial institution (CDFI), Self-Help. The CDFI was able to use a program of the U.S. Department of Agriculture (USDA) that guarantees loans. The USDA program will guarantee up to 80 percent of a loan for community facilities if the facility is located in a rural area.

CDFIs are located throughout the country in both urban and rural areas. Many are interested in lending to charter schools. Contact the National Community Capital Association at www.communitycapital.org to find a CDFI in your area.

Find out what costs are involved and how long it will take

Every lending institution has its own fees and approval processes. Find out all the costs involved: loan application fee, loan origination fee, interest rate, prepayment penalties, closing costs, and legal expenses. You may find that there is a wide range between lenders. Balance their fee structures against their timing. How long will it take to find out if your loan is approved? Once approved, how long will it take to close your loan (execute the documents and begin receiving loan funds)? If your project has time constraints, you may need to choose a lender on the basis of the expediency of their process.

The lender's priority is repayment

If you want a loan, you need to convince a loan officer that it will be repaid. Show them your annual budget, your most recent financial statements (income statement and balance sheet) and future years' financial projections. Show them how you receive your per pupil allocation and what your enrollment has been. Be prepared to explain how your school manages its finances (e.g., computer software, bookkeeper, accountant, board finance committee).

Know what kind of collateral, or security, you can offer for the loan. This is the lender's secondary source of repayment if you do not make your loan payments and default on the loan. If you are purchasing a building, you can pledge the building to the lender if you don't make your payments (this is a mortgage). Lenders have a variety of requirements regarding collateral – ask what they are and figure out how you can meet them.

The lender sees each loan in terms of risks

If you understand how the lender will evaluate your loan request, you can make a better case to the lender about why your school is a good credit risk. The following chart summarizes some of the main risks a lender might find in a charter school loan request and how you can address them.

RISK	INDICATORS	WAYS TO MITIGATE
Organizational Risk	Charter schools are start-up organizations and, in general, have a short track record.	• Demonstrate depth of management and board experience • Demonstrate sound financial management policies • Demonstrate enrollment or waiting list
Renewal Risk	Charter schools are authorized for a finite term.	• Demonstrate ability to repay loan before charter expires • Explain your local process for receiving, keeping and renewing your charter. Describe the goals you set up for your school and how you will meet them in order to keep your charter
Construction Risk	Charter schools often lack experience with real estate development. There is usually a short timeframe before school opens.	• Hire experienced project manager and/or architect • Provide detailed project budget with solid cost estimates and ample contingency • Have a "Plan B" in case construction delayed and school needs to open
Repayment Risk	Payments may be delayed because of cash-flow problems; enrollment may be off and therefore decrease revenues; school may go out of business and default on the loan.	• Demonstrate solid enrollment, waiting lists • Show detailed cash flow projections under multiple scenarios (worst case, best case) • If you have an operating history, show financial statements for the most recent period (hopefully show surpluses and positive fund balance) • Demonstrate ability to make debt service payments without depleting all funds (show that you have a cushion in your budget for unexpected expenses) • Explain your local process for receiving, keeping and renewing your charter (see above)
Collateral Risk	In the case of a default on the loan, it is questionable if the property could be liquidated to repay the loan. This may be due to inflated property value, the property being single-use, or in poor condition.	• Demonstrate the value of the property through an appraisal by a certified appraiser. • Make an equity contribution to the project-lenders may fund only 70 percent of the value of the project the charter school raises the remaining 30 percent. • Provide information on how the property could be used for other purposes if liquidated (if the facility can only be used as a school then demonstrate that other schools would use/purchase it). • Describe a property management plan and funds to be set aside for repairs to the building
Appropriation Risk	The state legislature may decide to eliminate charter schools, or make conditions for charters less favorable.	• Explain the terms of your current charter and how the per pupil allocation is disbursed. Describe the goals you set up for your school and how you will meet them in order to keep your charter. • Provide cash flow proforma showing loan repayment before charter expires

Financing through Tax Exempt Bonds

The Renaissance School in Parker, CO was one of the first charter schools in the country to issue tax-exempt bonds in a public offering to finance the costs of a facility project. The school raised $3.7 million in September 1999 through the Colorado Educational and Cultural Facilities Authority. The school received a 30 year loan at an interest rate of 6.75 percent, far below other sources of financing at the time.

Contact Melissa Marquez 303-805-0023 mcwinkel@earthlink.net.

TAX-EXEMPT BOND FINANCING

Charter schools in some states are beginning to raise funds for their facility projects through tax-exempt bond issues. Tax-exempt bonds are attractive because interest rates are usually lower than traditional commercial loans and terms usually extend to 20 or 30 years. Facilities projects generally need to be around $2 million or more to make a bond issue economically feasible.

Charter schools should investigate the environment for bond financing in their state. Bonds usually have to be issued through a conduit agency authorized by the state. Charter schools need to understand the bond underwriting guidelines. Often this includes a strong financial position, operating experience, and collateral in land or a building. Bond purchasers will be concerned about the expiration of the charter, so operators should be prepared to explain the likelihood of their charter renewal and the collateral value of the property. The fees involved in a bond issue can also be prohibitive to smaller projects. Also, find out how long it will take to issue bonds to be sure it fits the timing of your facility.

Colorado has pioneered tax-exempt bonds for charter schools. You can also talk to other charter schools and issuers of tax-exempt bonds for non-profits and schools in your area. This area of financing holds a great deal of promise for charter schools and is expected to grow in the future.

WHERE TO GO FOR ADDITIONAL INFORMATION

www.uscharterschools.org/tech_assist/ta_finance.htm

www.lqe.org/resource.htm

www.nccsrc.org

www.charterfriends.org

www.pioneerinstitute.org/csrc/cshb/

www.wested.org/wested/resources.html

Bank-Ability A Practical Guide to Real Estate Financing for Nonprofit Developers, F. DeGiovanni, R. Ream, L. Phare, Community Development Research Center, New School for Social Research, New York, 1996.

The following worksheet can be adapted to your school's financing needs. Use it to compare sources of financing, their terms and conditions.

FINANCING WORKSHEET

	Lender #1	Lender #2	Lender #3
Loan amount			
Term (in months or years)			
Balloon payment (yes/no) If full payment is required before the end of the term			
Interest rate (fixed or variable)			
Collateral required Mortgage/Assignment of Contracts/Leasehold			
Application deadline			
Application fee			
Estimated time to approval/rejection			
Estimated time from approval to closing			
Origination fee			
Legal fees			
Other closing costs			
Prepayment penalties			
Loan disbursement schedule When and how will you get the loan proceeds?			
Billing schedule How often will you be billed for loan payments?			
Other loan conditions			

SECTION VII
TIMELINE

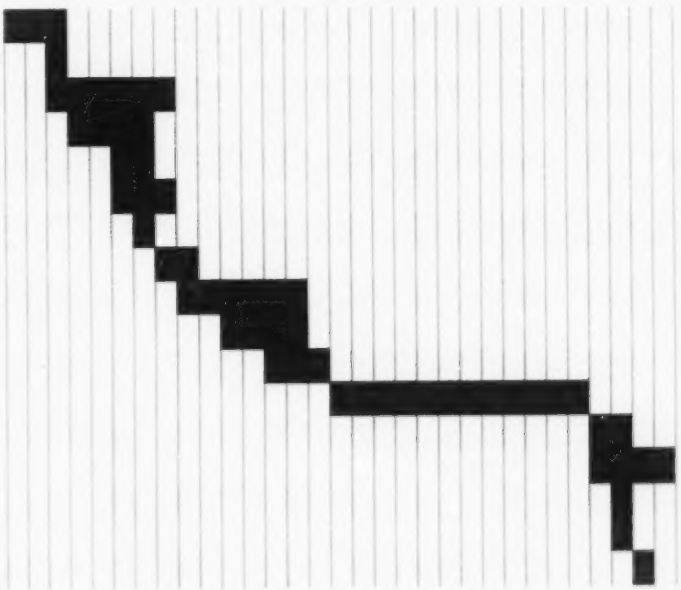
The facility development process involves many components over a time period which can take from many months to over a year. The following chart lays out the action steps covered in this manual and a suggested time frame for each step. You should adapt this chart for your charter school to help organize the facility development process.

Use the chart on the next page to plan your facility development process.

FACILITY DEVELOPMENT PROCESS

Each block represents a 2 week period

Prepare a Business Plan
Conduct Needs Assessment
Identify Sources of Funds (banks, etc.)
Review Possible Sites
Negotiate Preliminary Terms
Expert Review of Site and Costs
Review Code, Fire and Safety Issues
Negotiate Final Terms
Planning & Design (architectural drawings)
Zoning and Permits
Bidding/Select General Contractor
Construction
Punch List (Final Construction Items)
Security System/Custodial Orientation
Cosmetic Preparation
Install Technology
Install Furniture



FACILITY DEVELOPMENT PROCESS *Each block represents a 2 week period*

Prepare a Business Plan

Conduct Needs Assessment

Identify Sources of Funds (banks, etc.)

Review Possible Sites

Negotiate Preliminary Terms

Expert Review of Site and Costs

Review Code, Fire and Safety Issues

Negotiate Final Terms

Planning & Design (architectural drawings)

Zoning and Permits

Bidding/Select General Contractor

Construction

Punch List (Final Construction Items)

Security System/Custodial Orientation

Cosmetic Preparation

Install Technology

Install Furniture

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SECTION VIII
GLOSSARY

APPRAISAL
Official report required by lenders giving an estimate or opinion of value based on an analysis of pertinent data by a qualified appraiser.

BID SPECIFICATIONS
Also known as "specs." Detailed set of instructions prepared by an architect specifying how a property is to be constructed or renovated and identifying the types of materials to be used. These specifications form the basis for soliciting bids from general contractors.

BUILDING CODE
Regulations, ordinances or statutory requirements of a governmental unit relating to building construction and occupancy.

CERTIFICATE OF OCCUPANCY
A document from a government building department stating that a structure was built or remodeled in compliance with regulations and is ready for occupancy.

CHANGE ORDER
A written order to the contractor signed by the owner and architect, issued after the execution of the contract, authorizing a change in the work or an adjustment in the contract sum or contract time.

CLOSING COSTS
Expenses involved in transferring real estate from a seller to buyer, including lawyer's fees, survey charges, title searches and insurance and fees to file deeds and mortgages.

COLLATERAL
Stocks, bonds, evidence of deposit and other marketable properties which a borrower pledges as security until a loan is repaid. In mortgage lending, the collateral is the specific real property being financed which the borrower pledges as security.

COMMITMENT FEE
Lender's charge for agreeing to hold credit available for a specific period of time and to reimburse them for administrative and staff costs in underwriting the loan. The fee is usually payable upon the applicant's signing of the commitment letter.

CONSTRUCTION CONTINGENCY
Portion of the borrower's construction budget set aside to cover unexpected hard costs.

CONSTRUCTION LOAN
A loan, usually short-term, which is made to finance the actual construction or renovation of improvements on land. The funds are disbursed as needed or in accordance with a prearranged plan, and the money is repaid on completion of the project, usually from the proceeds of a permanent mortgage.

ENVIRONMENTAL ASSESSMENT
Official report required by lenders which evaluates a piece of property to determine whether the site may have been contaminated by hazardous wastes. Usually only a phase one report is performed, but additional phases may be required if phase one uncovers evidence that possible environmental problems might exist.

GENERAL CONTRACTOR
Main contractor for a building or project who may hire smaller, more specialized sub-contractors.

HARD COSTS
Direct costs to construct a building, otherwise known as "brick and mortar" costs, distinguished from legal, financing and architects' and similar "soft costs" required for the project.

INTEREST RATE
Ongoing cost set by a lending institution for the use of its money, usually expressed as an annual percentage.

LOAN CLOSING
Legal session where final loan documents are executed.

LOAN TERM
The amount of time over which a borrower is expected to repay the loan.

MORTGAGE LOAN
Debt instrument by which the borrower (mortgagor) gives the lender (mortgagee) a lien on property as security for the repayment of a loan.

PERMANENT LOAN
A long-term loan, usually with a term between 10 and 30 years. Sometimes the proceeds are used to repay a construction loan.

RETAINAGE
Portion of each payment of a general contractor's requisition under a construction loan held in reserve by the lender until the project is completed.

SECURITY
Real or personal property collateral used to back up a mortgage or lien, which gives the lender tangible property that may be sold upon default to pay off the indebtedness.

SOFT COSTS
Expenses, other than hard costs, incurred in developing a real estate project. These costs include financial, legal and architectural fees.

SOURCES AND USES OF FUNDS
A schedule that identifies the different sources of funding for the construction of the project and provides a line-item identification of how those funds will be used in the project.

ZONING
Local regulations establishing the use of property and the size, height and location of structures placed on it.

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WEB RESOURCES

American Institute of Architects (AIA): *www.aiaonline.com/*

Center for Education Reform: *www.edreform.com/charters.htm*

Charter Friends National Network: *www.charterfriends.org*

Charter Schools Development Center: *www.csus.edu/ier/charter/charter.html*

Charter School Research Project: *www.csr.syr.edu/*

Hudson Institute, Charter Schools in Action Project: *www.edexcellence.net/chart/charttoc.htm*

Leadership for Quality Education: *www.lqe.org/*

Pioneer Institute: *www.pioneerinstitute.org/cscz*

U.S. Charter School web page: *www.uscharterschools.org*

U.S. Small Business Administration: *www.sbaonline.sba.gov/starting/busplan.txt*

APPENDIX A
MODEL OPERATING BUDGET

Year _____

		Comments
Revenues		
Per Pupil Allocation	$_____	*Give # students, rates for different grades, breakdown between local/state*
Special Needs	$_____	*Give # students, rate assumed*
Other government funding	$_____	*Such as Federal entitlements for serving low income students*
Grants and fundraising	$_____	*Do not include funds raised for facility/capital*
Other sources of revenues	$_____	
Parent contributions	$_____	
Total Revenues	$_____	
Expenses		
Personnel		
Salaries		
Director	$_____	
Teachers	$_____	*Give # teachers, rates if they vary*
Aides	$_____	*Give # aides, rates if they vary*
Administration	$_____	
Janitorial, Maintenance	$_____	
Nurses, Counselors	$_____	
Benefits		
Retirement	$_____	
Health	$_____	
Worker's Comp, Unempl	$_____	
Total Personnel	$_____	
Academic Costs		
Books / materials	$_____	
Academic supplies	$_____	
Instructional equip.	$_____	
Software/computer supplies	$_____	
Field Trips	$_____	
Other	$_____	
Total Academic Costs	$_____	
Other Operating Expenses		
Advertising	$_____	
Insurance	$_____	
Janitorial supplies	$_____	
Office supplies	$_____	
Printing and Postage	$_____	
Staff Development	$_____	
Travel and conferences	$_____	
Total Other Op. Exp.	$_____	
Facilities		
Rent / lease	$_____	
Repairs / replacement	$_____	
Utilities (Gas, Electric, Water)	$_____	
Telephone	$_____	
Security system	$_____	
Other	$_____	
Total Facilities	$_____	
Contracted Services		
Bookkeeping and auditing	$_____	
Copier	$_____	
Custodial	$_____	
Legal	$	
Special Education	$_____	
Student Testing	$_____	
Total Contracted Services	$_____	
Other Expenses		
Interest expense - mortgage	$_____	
Interest expense - other	$_____	
Total Other Services	$_____	
Total Expenses	$_____	
Surplus (Deficit)	$_____	

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APPENDIX B
MODEL BALANCE SHEET

	Fiscal Year Ending 06/30/xx)
ASSETS	
Current Assets	
Checking/Savings/Cash	$
Total Current Assets	$
Other Current Assets	
Due from XXXX	$
Government Receivables	$
Total Other Current Assets	$
Fixed Assets	
Computer Equipment	$
Furniture	$
Books	$
Other Capital Expenditures	$
Total Gross Fixed Assets	
Accumulated Depreciation (subtract)	$
Total Net Fixed Assets	$
Other Long-Term Assets	
Investments/Deposits	$
Total Long-Term Assets	$
TOTAL ASSETS	$
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	$
Accrued Expenses	$
Current Payments (next 12 months) on Long-Term Debt	$
Total Current Liabilities	$
Long-Term Liabilities	
Long-Term Debt	$
Total Long-Term Liabilities	$
Total Liabilities (Current + Long-Term)	$
Equity	
Retained Earnings (prior year's retained earnings + this year's net income)	$
Total Equity	$
TOTAL LIABILITIES & EQUITY (must equal Total Assets)	$

APPENDIX C
MODEL CAPITAL BUDGET

USES OF FUNDS

Acquisition of building

Construction/renovation Costs

- Demolition of old walls
- Electrical
- Plumbing
- Heating/ventilation
- Roof
- Drywall and painting
- Carpet
- Windows
- Fixtures and Fit-out
- Site work

Total Construction

Hard Cost Contingency (15%)

Total Acquisition & Construction

Legal Fees

Appraisal

Architect

Project Manager

Engineering

Insurance during construction

Closing Costs

Financing fees (loan origination fee etc.)

Interest during construction

Inspection fees

Environmental studies

Accountant

Security

Bonding

Total

Soft Cost Contingency (5%)

Grand Total

SOURCES OF FUNDS

Start-Up Grant

Donations

Loan

Grand Total

APPENDIX D
MODEL CASH FLOW PROJECTION

	MONTH					
(A) Beginning Cash		$	$	$	$	$
Cash Receipts						
Per Pupil Allocation		$	$	$	$	$
Special Needs		$	$	$	$	$
Other government		$	$	$	$	$
Grants and fundraising		$	$	$	$	$
Parent Contributions		$	$	$	$	$
Loans		$	$	$	$	$
Other		$	$	$	$	$
(B) Total Receipts		$	$	$	$	$
Cash Disbursements						
Personnel:	Salaries	$	$	$	$	$
	Benefits	$	$	$	$	$
Academic:	Books / materials	$	$	$	$	$
	Academic supplies	$	$	$	$	$
	Instructional equipment	$	$	$	$	$
	Software/computer supplies	$	$	$	$	$
	Field trips	$	$	$	$	$
Op. Exp.:	Advertising	$	$	$	$	$
	Insurance	$	$	$	$	$
	Janitorial	$	$	$	$	$
	Office supplies	$	$	$	$	$
	Printing and Postage	$	$	$	$	$
	Staff Development	$	$	$	$	$
	Travel	$	$	$	$	$
Facilities:	Rent / lease	$	$	$	$	$
	Repairs / replacement	$	$	$	$	$
	Utilities	$	$	$	$	$
	Telephone	$	$	$	$	$
	Security system	$	$	$	$	$
Contracted:	Bookkeeping / auditing	$	$	$	$	$
	Copier	$	$	$	$	$
	Custodial	$	$	$	$	$
	Legal	$	$	$	$	$
	Special Education	$	$	$	$	$
	Student Testing	$	$	$	$	$
Interest Expense:		$	$	$	$	$
Other:		$	$	$	$	$
(C) Total Disbursements		$	$	$	$	$
(D) Net Receipts (B-C)		$	$	$	$	$
Ending Cash (A-D)		$	$	$	$	$

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	MONTH						
(A) Beginning Cash	$	$	$	$	$	$	$
Cash Receipts							
Per Pupil Allocation	$	$	$	$	$	$	$
Special Needs	$	$	$	$	$	$	$
Other government	$	$	$	$	$	$	$
Grants and fundraising	$	$	$	$	$	$	$
Parent Contributions	$	$	$	$	$	$	$
Loans	$	$	$	$	$	$	$
Other	$	$	$	$	$	$	$
(B) Total Receipts	$	$	$	$	$	$	$
Cash Disbursements							
Personnel: Salaries	$	$	$	$	$	$	$
Benefits	$	$	$	$	$	$	$
Academic: Books / materials	$	$	$	$	$	$	$
Academic supplies	$	$	$	$	$	$	$
Instructional equipment	$	$	$	$	$	$	$
Software/computer supplies	$	$	$	$	$	$	$
Field trips	$	$	$	$	$	$	$
Op. Exp.: Advertising	$	$	$	$	$	$	$
Insurance	$	$	$	$	$	$	$
Janitorial	$	$	$	$	$	$	$
Office supplies	$	$	$	$	$	$	$
Printing	$	$	$	$	$	$	$
Postage	$	$	$	$	$	$	$
Staff Development	$	$	$	$	$	$	$
Travel	$	$	$	$	$	$	$
Facilities: Rent / lease / mortgage	$	$	$	$	$	$	$
Repairs / replacement	$	$	$	$	$	$	$
Utilities	$	$	$	$	$	$	$
Telephone	$	$	$	$	$	$	$
Security system	$	$	$	$	$	$	$
Contracted: Bookkeeping / auditing	$	$	$	$	$	$	$
Copier	$	$	$	$	$	$	$
Custodial	$	$	$	$	$	$	$
Internet provider	$	$	$	$	$	$	$
Legal	$	$	$	$	$	$	$
Special Education	$	$	$	$	$	$	$
Student Testing	$	$	$	$	$	$	$
Other:	$	$	$	$	$	$	$
(C) Total Disbursements	$	$	$	$	$	$	$
(D) Net Receipts (B-C)	$	$	$	$	$	$	$
Ending Cash (A-D)	$	$	$	$	$	$	$

Appendix D – Model Cash Flow Projection

APPENDIX E
SAMPLE APPLICATION

The following two pages show a sample application from NCB Development Corporation. To request an actual application, please call 202-336-7680 or send an email to charterschools@ncbdc.org.

NCB Development Corporation

NCBDC LOAN APPLICATION CHARTER SCHOOLS

Mail to: NCB Development Corporation
1401 Eye Street, NW, Suite 700
Washington, DC 20005
Attn: Education Team

Phone: (202) 336-7680
Fax: (202) 336-7804

COMPANY PROFILE

Legal Name of Organization			Date Charter Approved	
Address	City		State	Zip
Contact Person	Phone	Federal Tax ID	E-mail	
	Fax			

How did you hear about NCBDC?

Eligibility *(Are you a 501(c) 3? If not, explain corporate structure.)*

PROJECT OVERVIEW

Describe the Project

Amount of loan requested	Terms Requested	Who will be responsible for Project?	When will you need the loan?

Purpose of loan (equipment, working capital, construction, mortgage, leasehold improvements)

Sources and Uses of Funds for the Project

Sources	Amount	Uses	Amount
a.		a.	
b.		b.	
c.		c.	
d.		d.	
e.		e.	
Total Sources		Total Uses	

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INFORMATION ON YOUR ORGANIZATION

Is your school currently in operation? Is so, when did it open? If not, what is the projected opening date?

Does your school have a specific mission? Please explain.

What areas do you serve? Do you serve a low income area?List other schools with which you (will) compete.

Who is the authorizing body for your charter?

What level of enrollment do you currently have or are you projecting? Which grade levels does the school serve?

Describe relationships with major funders (government and private)

Does your organization employ a management company? If so, have company fill out attached form labeled "Education Management Company Application." In the space provided below, please list the name of the company, the services offered and a contact name and number.

ATTACHMENTS (TO BE SUPPLIED WITH THIS APPLICATION)

a. Resumes of key staff including principal and founders
b. Names and occupations of board members
c. Copy of Articles of Incorporation and Bylaws
d. Copy of charter application and charter approval
e. Last three years of financial statements, if available
f. Most recent year-to-date interim financial statement
g. Copy of your school's budget for the current fiscal year
h. Proformas over the next five years
i. Strategic plans and/or expansion plans
j. Copy of lease, if applicable
k. Accountability/assessment plan
l. Background and description of curriculum

SIGNATURE AND AUTHORIZATION

The undersigned applicant(s) do hereby represent and warrant that the information contained on this form, and any attachments submitted in conjunction with this application, is complete and correct. Furthermore, the applicant(s) authorize National Cooperative Bank, and/or any of its subsidiaries or affiliates, to obtain credit references and credit reports on the business and to release credit information to others. All applications are subject to final credit approval.

Signature _____ Date _____

Signature _____ Date _____

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